FINANCIAL TIMES

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Spectre of poverty returns to haunt France, Page 3

NEWS SUMMARY

GENERAL

Mubarak, Hussein in call for unity

President Hosni Mubarak of Egypt held talks with King Hussein of Jordan in what is seen as the first stage of an attempt to create a "moderate" Arab front, which could pave the way for Middle East peace negotiations.

King Hussein said that Arab power should be used in a rational and organised way. He stressed that his recent decision to restore relations with Egypt was not designed to divide the Arab world.

He said that despite differences among Arabs, Mr Mubarak's visit demonstrated that they "face a common threat and should have a common response to that threat."

Details, Page 16; Reagan pledge to Israel, Page 5

Bolivian reshuffle

The Bolivian Cabinet has resigned a day before President Hernan Siles Zuazo celebrates two years in power. Ministers said in a letter to the president that they resigned to give him the freedom to carry out his fourth extensive Cabinet reshuffle. Page 5

Chileans indicted

Former Chilean Foreign Minister Gabriel Valdés, president of Chile's Christian Democrats, and seven other leading opponents of Chile's military Government have been indicted for organising protests against the rule of President Augusto Pinochet. Page 5

Nato 'digs in'

Sandbagged crash barriers went up outside Nato headquarters in Brussels as security was tightened after a series of left-wing bombings aimed at companies making components for U.S. cruise and Pershing-2 nuclear missiles.

Premier to resign

Ontario's Premier William Davis, 55, is to resign after holding office for 13 years. He said he wanted to spend more time with his family.

Hot line

Honduran security forces detained 21 people, including three senior telephone company advisers, after discovering all telephone lines at the air force headquarters had been tapped for the past month.

Andreotti debate

A full-scale parliamentary debate on the foreign policy pursued by Giulio Andreotti, the Italian Foreign Minister, looks set to be held. Page 2

Murder protest

Italy has protested to Mozambique over the murder by rebels of two Italian technicians who repaired sabotaged power lines.

Air space 'violated'

Greek aircraft had to make 96 sorties to guide back on course Turkish and U.S. jets taking part in a Nato exercise in the Aegean. Deputy Defence Minister Antonios Drosoyiannis claimed there were repeated violations of Greek national air space and international space under Greek supervision.

Secrets trial

British civil servant Clive Ponting, accused of leaking government documents about the sinking of the Argentine cruiser General Belgrano, was sent for trial charged with an offence under the Official Secrets Act. Page 19

Everest deaths

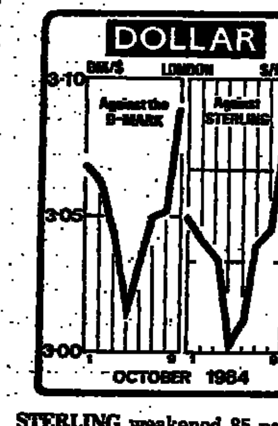
Two Australian climbers died on Mount Everest, bringing to three the toll on a Himalayan expedition led by the son of Sir Edmund Hillary, first man to reach the peak.

BUSINESS

Overhaul at Steyr to cut losses

STEYR-Daimler-Puch, Austria's motor and engineering group, is to close three plants and step up capital spending in a major rationalisation. Page 17

DOLLAR strengthened in London to DM 3.089 (DM 3.051), SwFr 2.543 (SwFr 2.512), FFr 9.47 (FFr 9.355) and Y247.65 (Y248.75). On Bank of England figures, its trade-weighted index rose to 142.4 from 141.8. In New York it was DM 3.087, FFr 9.4675, SwFr 2.5375 and Y247.40. Page 35



STERLING weakened 85 points in London to $1.228. It was also lower at Y303.75 (Y304.75) but improved to DM 3.79 (DM 3.775), FFr 11.6175 (FFr 11.555) and SwFr 3.12 (SwFr 3.11). Its trade-weighted index fell to 76.3 from 76.4. In New York it was $1.2275. Page 35

GOLD fell 75 cents on the London bullion market to $340.25. It was also lower in Frankfurt and Zurich at $340.50 and $341 respectively. In New York the Comex October settlement was $377. Page 34

WALL STREET: closed down the Dow Jones industrial average 2.76 at 1175.13. Section III

LONDON gilts and equities were adversely affected by money supply data. The FT Industrial Ordinary index eased 0.4 to 866.2. Section III

TOKYO stocks were dull, taking 8.22 off the Nikkei-Dow market average at 10,868.71. Section III

WEST GERMAN Finance Ministry is preparing legislation enabling the flotation of venture capital companies. Page 16

SUEZ CANAL tolls are to rise by 3.5 per cent from January.

OLIVETTI, Italian data processing equipment maker, in which American Telephone and Telegraph has a 25 per cent stake, is to pay at least $16m to its U.S. associate, Docutel, as compensation for its loss to AT&T of the handling of some of Olivetti's U.S. sales.

UNITED Telecommunications, the Kansas-based independent telephone group, lifted third-quarter earnings from $65.55m or 62 cents a share to $71.28m or 78 cents a share during the third quarter.

L'OREAL, the French cosmetics group increased interim earnings from FFr 314m ($33.7m) to FFr 362m.

AVESTA, stainless steel maker belonging to the Swedish Johnson Group, agreed to sell most of its hydropower assets for nearly SKr 700m ($81.2m). Page 18

CBS, U.S. entertainment and communications company, lifted third-quarter net earnings 46 per cent to $48.8m, leaving the nine-month figure 60 per cent ahead at $176.3m. Page 17

WESTINGHOUSE Electric boosted third-quarter profits to $130.6m from $115.5m on sales of $2.54bn (against $2.26bn).

KAISER Aluminum doubled its third-quarter loss to $73.2m from $36.8m on revenues of $840m ($655m) reflecting provision for future asset disposals.

Merrill Lynch buys all of record zero-coupon bond

EXXON CORPORATION, the U.S. oil major, yesterday sold the whole of Europe's biggest corporate zero-coupon bond issue to Merrill Lynch International, the U.S. securities house. Maggie Urry writes from London.

The issue will have a redemption value of $1.809bn when Exxon repays the bonds in November 2004, although the proceeds of the sale are $200m.

A zero-coupon bond pays no interest during its life, but is initially issued at a low price and redeemed at 100 per cent of face value. Investors receive a large capital gain instead of taking interest payments – in many countries a more advantageous arrangement in tax terms.

Exxon has taken the unusual step of inviting bids for the issue rather than going through the normal Eurobond syndication system, hoping to get finer terms on the deal. In total 19 different firms put in 52 bids at varying prices for the issue which was set to produce between $150 to $200m.

The U.S. bond market moved higher yesterday, but prices came off the top after the Fed made matched sales to drain reserves and offset the dip in short-term interest rates. Page 25.

Merrill Lynch's bid was priced to give a yield to maturity of 11.64 per cent a year. There were other bids lower than that, but not for the whole issue.

Merrill Lynch will now try to sell the bonds on at a profit, probably through a co-management group including some of the unsuccessful bidders. However, the market is already overloaded with zero coupon paper and Merrill Lynch could face problems in finding buyers quickly for the full amount.

The issue follows recent zero-coupon issues in the Eurobond market designed to take advantage of the lower yields available there. The borrower can use the proceeds to buy U.S. Treasury bonds, converted into zero-coupon form, and so take the difference between the yields – at presence close to 1 percentage point – as a profit.

One probable source of demand for the Exxon bonds is from Japanese investors, and some Japanese firms were thought to have put in "kamikaze bids" for part of the issue. Japanese investors, however, are only allowed to buy 30 per cent of a zero-coupon issue for the first six months of its life.

Capital markets, Page 36

Strasbourg paves way for British budget rebate

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN Parliament's budget committee yesterday approved payment to Britain of its $586m EEC budget rebate for 1983.

The decision was made by the European MPs after last week's agreements by the British Government to support extra financing for EEC farm spending this year.

One final hurdle is likely to have to be cleared before parliament approves the release of the money – originally authorised by EEC heads of state and government in Stuttgart in June 1983.

The budget committee decision will be formally announced at a plenary session of the parliament today by M Pierre Pflimlin, the president, and some MEPs are expected to insist on a full vote on the issue tomorrow.

There now appears, however, to be a clear majority in the parliament, in favour of unblocking the cash, which is seen as something of an embarrassing leftover from past disputes. The budget committee itself voted by 27 votes to four in favour of the release, with only three French Gaullists and one Communist opposing it.

The approval was given in spite of MEPs' grave doubts about the budget proposals made by EEC foreign ministers in Luxembourg last week, when they approved a supplementary budget for 1984 of Ecu 1bn ($735m), and a full 1985 budget of some Ecu 25.9bn, leaving a substantial budget deficit still to be financed.

Members of the budget committee warned last night that the parliament is heading for renewed confrontation with the ten member states over their proposals, with a real possibility that the 1985 budget might be rejected outright – the most drastic power available to the MEPs.

Such a decision would mean that the European Community would have to survive on a monthly income in 1985 of a twelfth of the present year's budget, until a new budget had been approved.

The parliament has had the power to block Britain's rebate because the money is held in reserve by the European Commission. Once approval has been given, the Commission will be empowered to transfer the cash.

The money was originally blocked because parliament was demanding long-term reforms of EEC finances, held up by Britain's insistence on agreement on its budget rebate. That was reached at the Fontainebleau summit last June.

In July, however, in spite of the budget committee voting to approve the transfer, it was overruled by a full session of parliament, which then linked the rebate to agreement on a supplementary budget for 1984.

Max Wilkinson writes from London: The British Treasury is waiting anxiously to see whether the rebate will be paid in time to be included in the national accounts for the banking month that ends in mid-October.

The rebate would have a substantial effect in lowering the public-sector borrowing requirement for the month and thus in improving the money-supply figures and the prospects of an early cut in interest rates.

The relaunch that never happened, Page 14

Boesky's UK trust plans rights issue

BY ALEXANDER NICOLL IN LONDON

CAMBRIAN & General Securities, the fast-growing British-based investment trust chaired by U.S. arbitrageur Mr Ivan Boesky, yesterday announced a £19.8m ($24.5m) rights issue – an unusual step for such a trust.

Mr Boesky has used Cambrian since 1982 as one of the vehicles for his frequent investments in U.S. special situation stocks – typically companies either believed or known to be takeover targets. Among recent stocks in which Cambrian has invested are Northwest Energy, St Regis and Continental Group.

The rights issue is designed to enable further growth for the trust, which will have net assets of £83m if it is completed, compared with only £8m when Mr Boesky took an interest.

Cambrian also disclosed that it was negotiating two Eurodollar issues totalling $110m, putting the trust's borrowings at twice the total of share capital and reserves – a high gearing by the standards of UK investment trusts.

One of the effects of the rights issue will be to alter the ratio of ordinary shares to capital shares, which stand to receive a greater return a share if the trust is liquidated. The capital shares are tightly held by Mr Boesky's interests, and ordinary shareholders will now get a chance to receive them.

Terms of the issue are eight ordinary and one capital share for every 20 ordinary shares, and two capital shares for every 11 capital shares. The larger proportionate increase of ordinary shares has prompted Cambrian to raise the minimum amount to which ordinary shares will be entitled in a liquidation to 60p from 18p.

Mr Boesky and his family control just under 30 per cent of the votes in Cambrian, and are putting up £5.5m for their full entitlement. London and Manchester Group, which takes a strong interest in the investment trust sector, is putting up £2.2m as a substantial minority shareholder.

Cambrian has shown remarkable growth under Mr Boesky's chair-

Continued on Page 16

Lex, Page 16; Men and Matters, Page 14

UK money supply rise dampens rate hopes

By Philip Stephens in London

THE PROSPECT of a cut this week in Britain's base lending rates receded yesterday with the announcement of an unexpected surge in the UK money supply in September.

Authorities, however, remain convinced that underlying monetary conditions in Britain point to lower interest rates, although they acknowledge that the timing of a cut might depend on developments in the miners' strike.

The Bank of England said yesterday that sterling M3, the most closely watched measure of the money supply, grew by between 1¼ and 1½ per cent in the month to mid-September.

The increase brought its annual growth rate since February up to 10 per cent, at the top of the target range set by the British Government.

The announcement took financial markets by surprise, and gilt prices fell by as much as a point as money market interest rates edged higher.

There were some doubts, however, over how accurately the September figures reflected the underlying trend in the money supply.

That, combined with hopes that the outturn for October would be very much better, persuaded many brokers that a cut in base rates had been deferred rather than ruled out.

The strong growth in sterling M3 in September was partly due to a sharp rise of £1.5bn in the banks' lending to the private sector.

The authorities, however, believe they may have been artificially inflated by a discrepancy in the item measuring interbank transactions, and to a lesser extent by "round-tripping" by commercial companies.

An unwinding of those items, which might have accounted for as much as £500m ($618m) of the increase, would reduce upward pressure on the money supply over coming months.

The pace of government borrowing is also expected to slow sharply in the second half of the current 1984-85 financial year, while sales of gilts, which depress the money supply, have been buoyant.

The official view, therefore, is that the monetary outlook if considered alone would point to base rates at least 1 percentage point lower than the present level of 10½ per cent.

That analysis is supported by the rate of growth in Mo, the narrow measure of the money supply, which, the authorities believe, has particular relevance for short-term interest rates.

Although Mo increased by 1 per cent in September, its annual growth rate since February is only 5½ per cent, below the middle of its 4 to 8 per cent target range.

With UK unemployment still rising and the economic recovery showing signs of running out of steam, the Government is clearly concerned that rates should fall as soon as possible.

However, the authorities are anxious not to force an early cut on financial markets while the miners' strike poses a threat to market confidence and leaves sterling open to speculative attacks.

The progress of talks on Thursday aimed at settling the mining dispute might thus be crucial to the prospect for lower rates.

The Government will also be monitoring closely developments in U.S. interest rates

Lex, Page 16; money markets, Page 35

Tory ministers assure miners on coal's future

BY PETER RIDDELL, POLITICAL EDITOR, IN BRIGHTON

MR PETER WALKER, Britain's Energy Secretary, and other Government ministers yesterday made a concerted effort to reassure the contry's coal miners about the future of the industry.

They also strongly condemned Mr Arthur Scargill, president of the National Union of Mineworkers (NUM), as the latest round of peace talks began in an effort to end the 30-week-old strike.

The opening day of the ruling Conservative Party's conference in Brighton was dominated by a series of debates and speeches on the coal dispute and the assocated violence.

Mr Walker, with Mr Leon Brittan, Home Secretary, and Mr John Selwyn Gummer, party chairman, attacked the Labour Party, for alleged equivocation over violence, and Mr Scargill in some of the strongest language used in the dispute.

They were careful to balance their attacks, however, with conciliatory phrases about the dispute. Their clear intention was not to undermine the current talks and to reserve the Government's freedom of manoeuvre if the dispute continues.

Mr Brittan also announced a series of measures to help to deal with the results of the violence, including further support for effective police authorities, the appointment of extra magistrates and safeguards on the freedom of action of chief constables.

The debates on energy and on law and order in Brighton saw a strong reaction to the Labour Conference in Blackpool last week, when police behaviour in the dispute was attacked.

Several Conservative representatives talked of "fascism" and urged stronger punishment, although there was the unusual sight of a Conservative Home Secretary, normally a target of rank-and-file criticism, being given a standing ovation. Later, a working miner from Staffordshire and a working miner's wife from Kent were loudly cheered after recounting the problems they faced.

One member of the National Union of Mineworkers' national executive resigned to dissociate himself from any move by the union to "flout the law." The threat of a strike by pit deputies receded, meanwhile, as the NUM and National Coal Board prepared for tomorrow's talks. Page 11

Mr Walker was loudly applauded when he repeatedly attacked Mr Scargill as a "Stalinist-Marxist".

The Energy Secretary's main theme was of reassurance to both striking and working miners about the reasonableness of the Government's approach.

He rejected suggestions to allow unlimited import of cheap coal since it would "undermine our industry and could close all of our pits. Then we would become very dependent upon that imported cheap coal and when we did so it would no longer be cheap."

Mr Walker promised working miners that "This Government will never let you down. We will not hand the country over to mob violence."

To all miners, he said that the Government promised "A future better than the past; a future of high investment in your industry; a future of better pits, better machinery and better conditions. An expanding future in which, as the industry becomes more profitable and prosperous, your pay packets will reflect that new prosperity."

The Government does, however, face a dilemma in promising to help working miners because hopes of starting to pay them the promised wage rise have run against the working miners' desire to adhere to the union rule book.

Conference report, Page 11

Wiggins Teape considers venture in Portugal

By Diana Smith in Lisbon and Andrew Fisher in London

WIGGINS TEAPE, the British paper company, is considering a £40m investment in a new Portuguese pulp and paper project as part of its plan to boost its share of the fast-growing European office paper market.

The investment, if concluded, would be the largest in Portugal by a British company for more than 10 years. It would also create one of the largest integrated pulp and paper mills in Europe.

Wiggins Teape, part of BAT Industries, said yesterday it was "discussing the possibility" of taking a large minority share in Soporcel (Sociedade Portuguesa de Celulose), which has just completed a $310m eucalyptus pulp mill.

The mill has a planned annual capacity of 280,000 tonnes, of which the UK company would aim to use about a third in the machinery which its investment would finance at the site.

Wiggins Teape, which accounts for about a third of European sales of carbonless copying papers, also sees strong prospects in the rest of the office market, said Mr Martyn Grose, chief executive of its overseas operations.

This market accounts for 4m tonnes of paper and $3bn (£2.4bn) annually in sales, including high-quality printing papers. Swedish and Finnish producers, currently expanding their operations, are the main force.

West German, French, Italian and other producers are also well entrenched. Wiggins Teape has less than 5 per cent of the market, in which the main products are copying paper and continuous stationery for computers and word processors.

Mr Grose said the market for office paper products was growing at between 4 and 8 per cent a year against little over 2 per cent for the overall paper market.

The 1.2m tonnes of eucalyptus wood which will be used by the Soporcel mill at Figueira da Foz in northern Portugal represent a much faster growing and thus cheaper raw material than the pines in northern European mills, he said.

The British company hopes to conclude its talks for an equity stake in Soporcel, currently owned by state financial institutions by the year-end.

At the time, about $31m worth of British equipment had been delivered for the project.

International Paper results, Page 17

CONTENTS

Foreign policy provides rod to beat Andreotti

BY JAMES BUXTON IN ROME

A FULL SCALE parliamentary debate on the foreign policy pursued by Sig Giulio Andreotti, Italy's Foreign Minister, looks certain to be arranged shortly. The call for the debate, from two of the smaller parties in the five-party coalition of Sig Bettino Craxi, followed a parliamentary motion last week calling for Sig Andreotti's resignation over his alleged connection with the convicted swindler Michele Sindona.

The motion was defeated, but many MPs from the coalition parties voted against the Christian Democrat minister.

Sig Andreotti has been a fairly controversial minister. His remarks last month about the undesirability of German unity triggered the latest—but by far the most serious—of a number of rows which have caused flurries in Italian domestic politics and occasional ruffled feathers among the country's allies.

But no one believes that a public examination of Sig Andreotti's handling of foreign affairs is more than another way of assailing this influential, astute and nimble politician, who has accumulated many enemies in a political career which began in the 1940s.

Most people think he has been an effective Foreign Minister since 1983, as one might expect from a former Prime and Defence Minister. Italy's allies have regarded any mishaps as more matters of show than of substance.

He has continued the policies under which Italy has shown a higher profile than in the past. It was among the first Nato countries to accept cruise missiles, and sent its forces to perform peace-keeping duties in the Middle East. Italy has also fostered its commercial interests in developing countries in a way that emphasises that it is different from the other former colonial powers.

Under Sig Andreotti the accent has changed but the main lines remain the same. He is less interested in Europe and the EEC than his predecessor and far more excited by Third World countries, many of which he has visited.

While remaining faithful to Nato policies towards the Soviet Union he has often taken an independent line on details. Last November he broke the Nato boycott of the Red Square ceremonies commemorating the Russian revolution by sending the Italian ambassador, a move which disquieted the U.S. and provoked protests in Italy.

His remarks last month about the division of Germany brought him praise from the Soviet Union and other East bloc countries—leading some people to think that he wished to ingratiate himself with the Russians so as to present himself as a possible mediator between East and West.

But no one really knows, and despite his reputation as "the man who never makes a mistake" he may simply have misspoken. Another cruder explanation is that this and other actions were aimed at retaining Communist party support for his domestic political ambitions, though the Communists have now called for his resignation.

What is certain is that the furore over Sig Andreotti threatens to make life very difficult for Sig Craxi over the next few weeks. The alliance between the two men is one of the foundations of the government.

Italian daily aims to rekindle an old flame

BY ALAN FRIEDMAN IN MILAN

"THE CORRIERE will be saved and this deal will go through. All of the right people in the Government and the banks have said yes. Even the politicians can't stop it now."

So said one of Italy's leading industrialists a few days before the sale of the Rizzoli publishing group, which includes the Corriere della Sera, Italy's leading newspaper, to a northern Italian consortium of private businessmen. The sale was a political breakthrough after two years of court-appointed receivership.

Over the last decade the Milan-based newspaper had fallen upon hard times. It was controlled for years by the dark forces of the P-2 Freemasons' lodge and the late Sig Roberto Calvi, chairman of the failed Banco Ambrosiano group which had become a major Rizzoli shareholder. To allow it to return to its former status as an independent and authoritative journal, a suitable buyer was needed, who lived up to three criteria:

- The need for sufficient financial muscle to take on the rescheduling of hundreds of billions of lire of debt, including an immediate L60bn (£25.75m) capital injection.
- A proven management record.
- And most importantly, a willingness to guarantee editorial freedom.

CORRIERE DELLA SERA

Because the Corriere is a symbol of democracy in a country where byzantine political forces tend to intrude, the appearance of the Gemina consortium—composed of Fiat, Pirelli, the Bonomi family's Invest Group, the Mediobanca banking group, plus Montedison and some entrepreneurs from the Brescia—came as a relief to those Italian leaders with a sense of public morality.

Others were not pleased. "The political classes in Rome are not happy with us," commented one member of the Gemina group. "The Socialists and the Christian Democrats both wanted to take control of the Corriere. They will be upset that the bourgeoisie of the North has stood up for something."

Even as it became clear that Rizzoli-Corriere would be sold to the politically Centrist private consortium, last-minute offers came flooding through.

The politics surrounding the deal do not appeal to Sig Giovanni Bazoli, chairman of Nuovo Banco Ambrosiano (NBA), the bank which has sold the rights to its 40 per cent of Rizzoli to Gemina. NBA sold its shares along with Sig Angelo Rizzoli, the ex-chairman of the company who was arrested on fraud charges, who owned 40 per cent, Sig Bruno Tassan Din, an ex-Rizzoli executive also under arrest, who owned 10.2 per cent and the Rothschild group which owned 9.8 per cent.

"This is a very important publishing house, also in political terms," Sig Bazoli said. "It is natural that politicians have felt the temptation to gain control of the Corriere. I talked with everyone, but all the politicians knew they couldn't really pressure me."

The Nuovo Ambrosiano chairman says the politicians agreed that the only correct solution would be one involving private industrialists. He adds: "I took them all literally, whether they meant it or not."

Sig Bazoli, who has chaired the reconstituted Ambrosiano group since August 1982, says he spent all of September working out the Rizzoli deal. He even resigned from the board of Mittel, a Brescian company which will have a stake in Rizzoli. Under the plan, he says Gemina will have 50 per cent, Montedison's Meta group 25 per cent and the remainder divided between Mittel and a steel entrepreneur.

At the Via Solferino headquarters of the Corriere, the talk is of growth, innovation and above all, editorial freedom. Dr Piero Ostellino, the newspaper's editor, says he wants his newspaper to be "free, totally independent, non-ideological and with an empirical approach to problems."

Some may regard this as rather ambitious, but Dr Ostellino, who was appointed three months ago, claims that he is "not afraid of anyone." He has reorganised the newspaper on an American model, changing the editorial staff structure from pyramidal and hierarchical to what he calls "horizontal." "My foreign editor and financial editor and the others have more autonomy now," he said.

Will Dr Ostellino be free to follow his liberal instincts? "Absolutely," comes the assurances from the new owners. Will this mean the editor will never be subjected to attempts at interference? In the back-scratching world of Italian journalism, Dr Ostellino's determination is almost certain to be tested sooner or later.

Portuguese 'people's bank' called to account

By Diana Smith in Lisbon

THE ARREST of Dona Maria Branca dos Santos, Portugal's 73-year-old "people's banker" has spread dismay among thousands of small savers. The fate of as much as £4m is now in doubt.

After days of intense police questioning, Dona Branca the chubby, white-haired self-styled benefactress of the people, was charged with fraud and criminal association and remanded without bail.

Earlier this year, thousands of workers, students, businessmen, bureaucrats and wealthy women had queued for hours to deposit their money with her so as to collect a monthly interest of 10 per cent, copious compared with commercial bank rates of about 30 per cent a year.

Few depositors asked themselves how an elderly woman with no proper installations or accounting equipment could pay such unusual interest rates.

Many of them were driven by Portugal's economic crisis to seek a financial miracle; and some handed her their life savings. By late spring, an estimated Esc 30m-40m (£150,000-£200,000) a day was being processed haphazardly by dozens of Dona Branca offices constantly opening and shutting in Lisbon and the provinces.

Dazzling display

The authorities, agahast at this dazzling display of the parrellel economy at work, decided to probe Dona Branca's ways, means and associates, letting it be known that a list of depositors had been drawn up by the police.

The resultant publicity worried some clients who preferred anonymity, and a wave of withdrawals began in early summer. When the Bank of Portugal invited Dona Branca to account for her activities, she was reported to have spent most of the interview in tears.

By July, the organisation shut down "for holidays and reorganisation" promising to reopen in early September.

Allegedly some of Dona Branca's associates precipitated her decline by creaming off funds and sharp practitioners forged her signature on "receipts" for money they had not deposited and on which they claimed interest payments.

Depositors became frightened about the destination of their savings when the promised reopening was delayed. Their worries were increased by reports that the old lady was trying to sell property and jewellery to raise enough capital to pay some of the interest she owed.

Communists draw up battle lines against Spain's social pact

BY TOM BURNS IN MADRID

THE VETERAN Communist leader of Spain's Comisiones Obreras trade union was not present at the Prime Minister's Moncloa Palace yesterday for the much-heralded signing of the so-called social and economic pact. His absence, however, made him just about as conspicuous as Banquo's ghost.

Sr Marcelino Camacho, the Communist Party and the Comisiones Obreras have vowed to haunt Prime Minister Felipe Gonzalez, the Socialist Government and the Socialist union movement for surrendering "historic working-class conquests." The surrender in question involves signing an agreement with the employers' confederation which allegedly abandons the "conquests" of security in employment and protection against dismissals.

The claims made by Sr Camacho and his party and union colleagues have stung the Prime Minister into effectively calling his critics liars.

In a lengthy personal telegramme to the Comisiones Obreras leader, released yesterday, Sr Gonzalez accused him of "tampering with the truth." Sr Gonzalez flatly denied that the agreement enshrines the possibility of instant dismissals, and, in a clearly angered and injured tone, informed Sr Camacho: "You know perfectly well I would never consent (to such an agreement) either as a former labour lawyer or as head of the Government."

He accused Sr Camacho of attempting to manipulate public opinion at the behest of the Communist party, which was seeking to discredit the agreement in order to make political capital.

Sr Camacho hit back saying that the Prime Minister had "lost his nerve" and had resorted to "anti-Communist calumnies."

These vitriolic exchanges have pinpointed just how vexing the question of dismissals is in Spain, and, by extension, how far the social and economic pact has broken new ground. The two-year agreement sets guidelines on wage rises, unemployment benefits and incentives for investment, and is broadly similar in its content and in its expectations to other pacts over the past seven years.

Sr Gonzalez claims nothing on the subject of instant dismissals was raised in the negotiations; the employers are satisfied that the subject coloured the long weeks of bargaining. Both the Government and the Socialist trade union, the Union General de Trabajadores (UGT), on one side, and the employers on the other, argue that their positions are reflected in the pact.

What has happened is that the UGT and the employers' confederation have agreed to form a joint commission which will report within six months precisely on the dismissals issue. The brief is to examine how labour legislation can best be adapted to existing rulings within the European Community. It is this that Sr Camacho has ably seized upon.

Under existing legislation an employer has to refer to the labour courts in order to dismiss an employee. The delay involved can make it very costly, particularly for small companies. An adaptation to EEC rulings would reduce the recourse to the courts and allow direct negotiations between the employer and the union representatives.

Sr Camacho, the Comisiones Obreras and Communist party have announced total opposition to the pact and are preparing demonstrations against it.

Greece and Turkey argue over Nato manoeuvres

BY ANDRIANA IERODIACONOU IN ATHENS

AN IMPORTANT north-south air corridor over the Aegean remained closed to civilian traffic for a second day yesterday as Athens and Ankara argued about the technical arrangements of a Nato air defence execise in the region.

Greece, which has boycotted the exercise because of its dispute in the Aegean with Turkey, closed the corridor on Monday. It claimed that Turkish fighters taking part in the exercise had endangered civilian aircraft. Turkey responded by accusing the Greeks of failing to pass on its Advisory Notice to Airmen (Notam) giving full details of the exercise flight plans.

Mr Yiannis Kapsis, the Greek Assistant Foreign Minister, yesterday kicked the ball back into the Turkish court yesterday, when accused Ankara of having tried to overstep the boundaries set by Nato for the exercise by seeking to operate further into Greek-controlled air space than had been agreed.

Travel offices in Athens, meanwhile, reported yesterday that trans-Aegean civilian flights were operating normally. The air corridor was scheduled to reopen at sunset yesterday at the end of the manoeuvres.

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Redemption Notice

National and Grindlays Bank Limited

7¾% Capital Bonds 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed dated November 29, 1972 under which the above-designated Bonds are issued, $718,000 aggregate principal amount of such Bonds of the following distinctive numbers has been drawn for the annual redemption instalment on November 15, 1984 (herein sometimes referred to as the annual redemption date):

$1,000 COUPON BONDS

46	4276	5346	6099	7773	9783	10424	11878	13591	17402	22329	23491	25416	26480	28247	29141
51	4406	5352	6105	7786	9784	10432	11882	13657	17654	22383	23496	25446	26456	28251	29153
575	4411	5358	6116	7887	9801	10435	11886	13660	17768	22384	23504	25462	26733	28254	29175
1174	4414	5365	6118	7897	9802	10492	11905	13662	18588	22389	23513	25466	26748	28272	29246
1514	4423	5366	6121	7909	9803	10519	11919	13675	18612	22416	23514	25473	26776	28276	29253
1704	4518	5396	6139	7948	9804	10523	11926	13700	18724	22428	23555	25480	26880	28281	29255
1712	4565	5441	6148	7950	9805	10524	11955	13710	18736	22438	23607	25504	26883	28282	29296
1713	4589	5467	6276	7961	9863	10546	12026	13743	18746	22466	23615	25526	27258	28284	29307
1722	4600	5468	6288	8049	9875	10550	12043	13746	18756	22483	23677	25527	27260	28285	29308
1773	4606	5482	6426	8059	9881	10597	12069	13749	18771	22494	23678	25530	27281	28307	29310
1786	4615	5485	6434	8149	9890	10618	12091	13750	18772	22498	23688	25537	27284	28327	29312
1899	4616	5499	6440	8160	9891	10620	12141	13779	18790	22547	23700	25538	27285	28692	29322
1900	4634	5508	6465	8168	9928	10629	12468	13786	18795	22550	23722	25539	27300	28698	29332
1901	4669	5511	6476	8171	9956	10659	12501	13792	18798	22562	23732	25548	27339	28699	29336
1903	4673	5563	6496	8179	9957	10704	12504	13798	18804	22579	23752	25552	27341	28700	29339
1938	4711	5586	6521	8180	9971	10718	12510	13822	18832	22654	23757	25558	27355	28726	29347
1978	4716	5630	6581	8192	9977	10744	12511	13825	18942	22666	23763	25560	27369	28730	29373
1982	4718	5636	6607	8209	9986	10937	12513	13856	19358	22678	23888	25625	27370	28750	29399
1998	4806	5639	6615	8244	9999	10947	12726	13874	19389	22700	23915	25719	27397	28755	29452
2003	4831	5657	6622	8250	10004	10949	12730	13885	19476	22706	23929	25733	27407	28756	29458
2299	4848	5658	6631	8252	10013	11045	12734	13888	19523	22720	24169	25782	27408	28802	29469
2302	4856	5674	6648	8284	10034	11067	12767	13968	19538	22747	24200	25783	27419	28816	29530
2458	4902	5713	6681	8295	10044	11070	12832	13990	20132	22756	24231	25794	27422	28837	29537
2473	4917	5720	6710	8302	10046	11156	12855	14013	20139	22967	24243	25830	27481	28860	29570
2557	4940	5727	6728	8329	10089	11211	12901	14045	20362	22968	24252	25833	27486	28903	29606
2558	4943	5729	6729	8339	10092	11232	12907	14046	20373	22991	24253	25837	27492	28906	29607
2564	4949	5745	6735	8408	10095	11234	12908	14111	20402	23012	24261	25838	27504	28927	29614
2571	5034	5746	7290	8496	10106	11247	12909	14136	20409	23014	24268	25860	27522	28931	29618
2612	5043	5839	7306	8516	10186	11360	12943	14172	20426	23017	25058	25862	27526	28936	29628
2621	5063	5849	7344	8526	10198	11361	12968	14178	20428	23022	25068	25867	27550	28937	29658
2638	5082	5851	7391	8580	10214	11362	12974	14211	20474	23027	25098	25872	27566	28940	29665
2645	5085	5870	7394	9240	10245	11398	13005	14228	20477	23038	25106	25882	27578	28960	29727
3312	5091	5872	7573	9241	10250	11400	13064	14235	20538	23043	25126	25904	27591	28978	29742
3314	5125	5875	7580	9250	10253	11410	13073	14243	20798	23119	25160	25929	27596	28979	29745
3316	5138	5885	7599	9297	10256	11444	13104	14298	20846	23121	25163	25941	27601	28983	29755
3317	5149	5940	7600	9310	10306	11445	13110	14301	21987	23166	25170	25948	27606	29000	29818
3415	5156	5969	7630	9317	10322	11490	13140	14325	22001	23173	25178	25962	27608	29002	29819
3418	5164	5982	7651	9638	10330	11569	13214	14336	22011	23175	25179	25970	27609	29010	29841
3596	5169	5990	7672	9653	10350	11630	13218	14341	22018	23350	25317	26037	27748	29032	29854
3791	5196	6048	7691	9674	10354	11631	13256	14351	22031	23351	25325	26042	27778	29033	29880
3798	5201	6055	7704	9695	10365	11732	13282	17317	22061	23358	25339	26398	27794	29037	29896
3815	5257	6056	7759	9703	10370	11733	13516	17322	22109	23382	25341	26408	27800	29049	29897
3868	5269	6057	7760	9730	10372	11735	13522	17379	22305	23454	25351	26411	27870	29075	29898
3890	5273	6077	7767	9743	10387	11739	13529	17388	22306	23458	25353	26432	27879	29089	
4205	5342	6097	7772	9774	10398	11749	13590	17394	22329	23490	25415	26447	28238	29090	

Payment of the redemption price of the Bonds specified above will be made on the annual redemption date at the redemption price of 100 percent of the principal amount thereof, (a) at the IBG Securities Processing Department of Citibank, N.A. (formerly First National City Bank), the Principal Paying Agent under the Trust Deed referred to above, No. 111 Wall Street, in the Borough of Manhattan, The City of New York or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Frankfurt/Main, London, Paris, Brussels, and Citibank (Luxembourg) S.A. in Luxembourg, and the principal offices of Lloyds Bank International Limited (formerly Lloyds & Bolsa International Bank Limited) in Amsterdam, Lloyds Bank International (Belgium) S.A. (formerly Lloyds Bank (Belgium) S.A.) in Brussels, Lloyds Bank Limited in London and Lloyds Bank International (France) Limited (formerly Lloyds Bank Europe Limited) in Paris. Payments at the offices referred to in (b) above will be made by a United States dollar check drawn on a bank in New York City, or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, on November 15, 1984. On and after the annual redemption date, interest on the said Bonds will cease to accrue, and, upon presentation and surrender of such Bonds with all coupons appertaining thereto maturing after the date fixed for redemption, payment will be made at the said redemption price out of funds to be deposited with the Principal Paying Agent. The amount of any missing unmatured coupons will be deducted from the sum due for payment.

Coupons due November 15, 1984 should be detached and presented for payment in the usual manner.

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October 10, 1984

Spectre of poverty returns to haunt Socialist France

BY DAVID HOUSEGO IN PARIS

FRANCE, WHICH enjoyed a period of considerable prosperity in the 1950s and 1960s, has been jolted by the revelation that the homeless and hungry in the large cities are increasing sharply.

The "new poor," as they are being called, come largely from the long-term unemployed. In France, those out of work receive roughly 70 per cent of their salary in their first year of unemployment; thereafter they receive a meagre FFr 40 (£3.47) a day. But the new poor also include young people without a job, immigrants, and single mothers who find it increasingly hard to live on welfare payments.

The Association of Mayors of large towns, an organisation embracing every political party, yesterday called for urgent relief measures before the winter brought further hardship. The issue was also discussed yesterday by M Laurent Fabius, the Prime Minister, and Abbe Pierre, one of the leaders of the Catholic charity organisations. The government is worried that the opposition will seek political capital in the growth of urban poverty under a Socialist administration.

Estimates of the numbers involved vary widely. M Jacques Chirac, the Mayor of Paris and head of the neo-Gaullist RPR party, yesterday claimed that some 600,000 unemployed were no longer entitled to full unemployment benefit and that their numbers were growing by 100,000 a month.

Their financial position has been made worse by the Government's decision in 1982 to end further supplementary benefits for the long-term unemployed. M Chirac also said that they were now worse off because they had exhausted other means of support such as personal savings or help from their families.

The city of Paris has had to increase its "poverty" budget for the homeless or unemployed from FFr 12.7m (£1.1m) in 1981 to FFr 30.8m (£2.7m) this year. Amiens says that demands on its emergency assistance funds have risen by 75 per cent in four years. Besancon claims that the amount it spends on free meals has risen 97 per cent in the past two years to FFr 176,000 (£15,300).

Charity organisations also confirm the increase in urban poverty. The Catholic Assistance association says the number of appeals it has received has grown from 225,000 in 1981 to 450,000 last year and is still increasing.

The mayors yesterday called for urgent measures, including help with housing, relief from payment of electricity and gas bills, interest-free loans and temporary boosts to income.

The Government's view is that urban poverty is not a new phenomenon and that it is worse in Britain than in France. M Lionel Jospin, Secretary of the Socialist Party, said yesterday that the opposition should not be allowed to get away with exploiting the issue. There were more cases of urban poverty in Britain and the U.S., he declared.

● M Laurent Fabius (right): discussions with Roman Catholic charity leader.

E. German demand on fugitives

By Leslie Colitt in Berlin

THE RULING East German politburo met yesterday to decide what to do about the nearly 140 East Germans in the West German embassy in Prague in a bid to get to the West.

Herr Wolfgang Vogel, the East Berlin lawyer negotiating with Bonn on the case, said he was hopeful of a solution.

As its price for releasing those in the embassy, officials in Berlin say East eGrmany has called on Bonn to rebuild the visitors' section of all its East European embassies so that East eGrmans coming for advice cannot find refuge.

This was the condition East Germany set in June when more than 50 East Germans in the eWst eGrman mission in East Berlin were allowed out to the West. The visitors' area was subsequently rebuilt as a narrow room with no access to the main building.

East Germany wants Bonn to take this step because it believes it would be more effective than any moves it could make itself. Herr Honecker does not wish to curb his citizens' visa-free travel to Czechoslovakia.

But Western officials say that determined East German will continue to find ways to enter West German embassies. In the end they fear, Bonn will no longer be able to convince East Berlin to allow them out to the West and the East Germans will have to be forcibly removed by embassy staff.

Solidarity sued

The Polish authorities are bringing civil proceedings to recover Z180m (£514,000) from two Solidarity leaders in Wroclaw who withdrew the money from the union's bank account just before the imposition of martial law in December, 1981, Christopher Bobinski writes from Warsaw.

West Germany to tighten curbs on formaldehyde use

BY RUPERT CORNWELL IN BONN

WEST GERMANY plans to bring in before the end of the year tighter curbs on the use of the chemical formaldehyde, which was at the centre of sharp public controversy here during the summer.

The announcement by Herr Heiner Geissler, the Health Minister, broadly follows the recommendations of a specially commissioned report prepared by the federal health and environment agencies, which was published yesterday.

Herr Geissler had requested the report after bitter accusations that the Bonn Government had suppressed evidence alleged to show that the chemical might cause cancer, and should be banned.

The thrust of the new findings is that no clear evidence exists to back up that claim. But, the report says, suspicion that formaldehyde had carcinogenic properties "could not entirely be ruled out."

Herr Geissler claimed last night that the report showed that there was "no reason to indulge in hysteria" about the chemical. But, he added, economic considerations had to take second place to those of health.

The new measures to go before the Cabinet will include a compulsory maximum indoor formaldehyde concentration of 0.1 ppm (parts per million). This could have implications for furniture manufacturers, among others, as all such products will be vetted by the Federal Health Office to ensure compliance.

Limits will be placed on the formaldehyde content of textiles which come into contact with the skin, while incubators for premature babies will henceforth have to be manufactured so as to do without formaldehyde for sterilisation purposes.

In more general terms, products which contain the chemical will be clearly labelled to that effect, while industry will be encouraged to substitute

Spanish fish compromise thrown out

By Ivo Dawnay in Brussels

COMPROMISE proposals on the terms to be offered to Spain over its fishing fleet when the country joins the EEC have been thrown out by officials from the Ten's fisheries ministries. Their decision is another substantial blow to the entry negotiations and casts more doubt on the January 1, 1986 accession target date.

The European Commission offered the compromise as a way to break through the impasse on fishing, acknowledged to be one of the most difficult elements in the membership negotiations.

It proposed that the common fisheries policy be adapted to ensure that traditional fishing rights remained untouched, while those countries with "minority interests" in waters predominantly fished by others would be offered licences specifying limits on quotas and access each year.

This would have allowed Spain to negotiate for restructed licensed access to the seas west of Ireland from which it has been banned since the 200-mile coastal limit was introductiod in 1976.

The Commission plan was backed by the UK and Ireland but met fierce opposition from other countries, notably France, which feared an erosion of their existing rights.

● Negotiations between the EEC and 64 African, Caribbean and Pacific countries opened in Brussels yesterday aimed at securing the final terms of a third five-year Lome trade and aid pact.

Speed limits win supporters in W Germany

BY JAMES BUCHAN IN BONN

A SMALL majority of West Germans is willing to accept speed limits on the country's motorways, according to an opinion poll

The poll conducted last week by the Emnid Institute for a West German television station revealed that 55 per cent of the sample would approve of a speed limit of 100 kilometres per hour on the country's motorways, the only roads in Europe where people can often drive as fast as they like.

The study, which included drivers and non-drivers in roughly equal numbers, is bound to increase pressure on Chancellor Helmut Kohl's Government to bite the bullet of speed limits to reduce pollution from car exhausts. Next week, the Agriculture Ministry is expecte dto announced the results of a tree census showing 40 per cent of West German woodland is sick from pollution, a portion of which is attributed to motor exhausts.

Herr Kohl's coalition Government is deeply divided on the issue, and repelled opposition pressure for a decision last week by ordering a study of pollution from motor vehicles.

Traditional wisdom has been that to interfere with the West German passion for driving very fast would be political suicide. The new poll suggests, however, that the "German forest" (as it is known) has crept ahead of the motor car in national affections.

The Government is already under fire from the opposition for putting off from 1986 to 1989 the compulsory introduction of catalytic converters on car exhausts. Some officials now believe that the Government should salvage some credit by imposing speed limits on all cars not yet fitted with the converters.

Car pollution curbs meet EEC opposition

BY PAUL CHEESERIGHT IN LUXEMBOURG

THE West German Government yesterday ran into blunt opposition from other states of the European Community over its plans to introduce unilaterally new emission standards for motor vehicles.

Britain, France, Italy and the European Commission all criticised the West German plan, not on environmental grounds, but because of its effect on the working of the common market.

Herr Martin Bangemann, the West German Minister for Economic Affairs, explained to the Council of Ministers for the first time what his Government intends. This involves subsidies to motorists buying cars with catalytic converters, which cut pollution, on a voluntary basis from next year, but the compulsory equipping of cars with the converters from 1988 and 1989 depending on the type of vehicle. Three to four years for the EEC motor industry to adapt would be sufficient, he told Community trade ministers in Luxembourg.

The Commission plan to stiffen vehicle emission standards from 1995 involved too long a delay, he said. West Germany could not accept it, on environmental grounds.

Mr Paul Channon, the British Minister for Trade, retorted that catalytic converters do not appear to be the most cost effective solution. "I'm absolutely certain we must have a Community solution. We can't have one country going it alone. We simply cannot break up the internal market in cars," he said later.

A similar line was taken by France and Italy, and Herr Karl-Heinz Narjes, the Commissioner in charge of the internal market, said that unilateral West German action would be against the Treaty of Rome.

● Officials working on the sidelines of the ministerial meeting were making enough progress on the formation of a single document for covering the movement of goods inside the EEC to prompt Mr Channon to say that the document would be ready by December. It would ease trade by replacing some 70 different national documents.

Irish unions complain about legislation delay

BY BRENDAN KEENAN IN DUBLIN

IRISH TRADE unions have asked the EEC Commission to take action against the Irish Government over delays in introducing legislation to extend the obligation on companies to publish annual accounts.

The Irish Congress of Trade Unions has enlisted the support of the European Trade Union Confederation in its complaint that legislation under the EEC's fourth directive on company law, which should have come into effect in 1980, has still not been introduced.

An amendment to Irish company law introduced last year covered only a second directive, dealing with public companies. The fourth directive is more sensitive from an Irish point of view, because it is likely to force private companies to disclose information for the first time. Such companies are relatively more numerous, smaller in size and more secretive in Ireland than in most member states.

The several changes of government in Dublin since 1980 have contributed to the delays, with successive ministers of Industry wanting to study the implications for themselves.

The present incumbent, Mr John Bruton, is said to be ready to bring his proposals to government. These are likely to encompass not only the terms of the directive but the problem of directors who abuse limited liability.

Irish company law is still based largely on a 1963 Act and is generally regarded as in need of major updating.

The Irish Congress, in a letter to the President of the Commission, M Gaston Thorn, said it feared that legislation would be further delayed unless the Commission used its powers to compel the Government to act.

Setback for Opren group

By Paul Cheeseright

EUROPEAN CONSUMER groups hoping to state their case on the banned anti-arthritis drug Opren failed to see the Council of Trade Ministers yesterday because it became bogged down in discussing compensation for victims of defective products.

The Opren Action Committee seeks to offer support for the families of up to 100 people whose death might be associated with the drug, now withdrawn from the market, which was produced by Eli Lily in the U.S. and Dista Products in Britain.

China may ask for onshore oil help

BY MARK BAKER IN PEKING

CHINA is considering spreading the involvement of foreign oil companies to onshore as well as offshore exploration.

Kang Shien, a member of the State Council and a former minister of petroleum industry, confirmed during a meeting with officials of the Chevron Corporation that the matter is under study, and a spokesman for the China National Offshore Oil Corporation (CNOOC), Chen Bingqian, says that the move is "likely." He said in an interview that a proposal was being studied by the Petroleum Ministry.

Kang said such a move would be different from the co-operation with foreign oil companies now under way in offshore exploration as China would provide most of the technical services.

Indications of the move come as China is preparing to announce a second round of bidding for joint venture exploration leases in the South China Sea and the southern Yellow Sea.

Chen said an announcement about the bidding would be made "as soon as possible." CNOOC was attempting to speed up its preparations and the work might be completed by early next year.

Kang said the introduction of foreign companies to onshore exploration would be desirable to help expand existing oil production.

"We still have to improve our work in some aspects." he said.

Some local authorities wanted the Government to protect them from foreign competition but this would mean "sheltering backwardness." Preferential treatment should be given to the companies able to compete with the foreign companies.

"For 30 years, we worked to develop oil resources only on land. Our big problem is a lack of experts," he said.

The ministry predicted that this year's total oil production was likely to be more than 110m tons.

While China's oil output has exceeded 100m tons each year since 1978 and the country was the world's seventh largest producer last year, Government leaders have stressed that there must be a major effort to find big new onshore fields.

The offshore exploration areas opened up last year have yet to live up to China's expectations, although CNOOC says it is pleased with initial results, especially an Esso consortium strike in the South China Sea with a daily production of 429 tonnes

Dominic Lawson adds: Last month China's oil vice-minister, Li Tianxiang said that China's crude oil production would reach a record figure of more than 110m tonnes this year.

The target for this year had been 108m tonnes, compared with an actual output of 106m tonnes in 1983. All China's current oil production comes from onshore fields.

MUBARAK'S HISTORIC VISIT TO JORDAN

Hussein hopes for a moderate Arab grouping

BY RAMI G. KHOURI AND TONY WALKER IN AMMAN

MR HOSNI MUBARAK'S arrival in Jordan, the first visit by an Egyptian President since 1977, may herald a realignment of political forces in the Middle East.

King Hussein's bold decision to restore relations with Egypt seems designed to promote a new Arab consensus on a settlement of the Arab-Israeli conflict.

While the decision has exacerbated inter-Arab tensions, in the long run King Hussein clearly hopes that it will spawn a new moderate grouping to participate in renewed Middle East peace efforts.

The timing of the King's *decision to restore relations* with Egypt took most people by surprise. However, it appears that the Jordanian ruler moved now to allow time for a new Arab grouping to emerge in *anticipation of the focus of* Middle East diplomacy reverting to the Palestine issue.

This would follow likely renewed American diplomatic efforts in the region after the *presidential election*, an Israeli withdrawal from South Lebanon and efforts to bring about a reconciliation among opposing factions in the PLO.

While Jordan's decision appeared sudden and bold, it was the culmination of an 18-month long process of renewed contacts between Amman and Cairo, which included two meetings between King Hussein and Mr Mubarak, the *most recent being in Washington last February.*

Jordan's interest in expanding economic ties with Egypt is expected to follow the pattern of close economic links with Syria and Iraq at various stages during the past eight years. This has included the establishment of joint companies in the fields of trade, industry and transport.

Jordan has traditionally *sought close relations* with its more powerful Arab neighbours. Its revival of political and economic ties with Egypt comes at a time when it is at loggerheads with Syria, and Iraq is preoccupied with the Gulf War.

A factor in the King's decision may be the hope that Egypt will emerge as an important export market for Jordanian goods at a time when Jordan's trade has been particularly hard hit by the general economic slowdown in the Middle East and the Gulf War.

By forming the nucleus of a moderate Arab grouping, King Hussein and Mr Mubarak no doubt hope to offer the pro-Arafat forces in the PLO an alternative focus of support as a counter to the Syrian-led anti-Arafat forces within the PLO.

HRH PRINCE MOHAMMED BIN FAHAD BIN ABDULAZIZ

An article by Michael Field in the Financial Times of August 31, dealt with delays being experienced by contractors in receiving payments from the Saudi Government. It was stated that Prince Mohammed bin Fahad was a partner in one of these contractors, the bankrupt Carlson Al-Saudia, and that he was much involved with another, the Shobokshis. We are asked by Prince Mohammed to make it clear that he does not have and never has had any holding in Carlson Al-Saudia, and similarly that he has never had any business dealings with nor investment in the Shobokshi group. Michael Field and the Financial Times apologise to Prince Mohammed for these errors.

Pretoria to allow school councils

THE South African Government has agreed to set up elected student representative councils and class leaders in an effort to defuse tensions in black schools that have lead to boycotts and bloody riots, Anthony Robinson reports from Johannesburg.

Remedial classes on Saturdays will help pupils catch up work lost during the disturbances. Six schools near Pretoria, closed since May, would reopen tomorrow, according to Mr Gerritt Viljoen, the Education Minister.

The councils will be introduced in January. But Mr Viljoen emphasised that they were to be advisory in nature. "*It is not the task of the* pupil to rule the school," he said.

UK protests to Iraq

The UK *yesterday protested* with "serious concern" to Iraq over Monday's attack in the Gulf on the supertanker World Knight in which two British seamen are presumed *to have been killed, writes* Richard Johns. The fire on the vessel was reported to have been extinguished yesterday, with the ship subsequently being towed to the *Iranian port of Bushehr.*

Lebanese factions

Important changes took place yesterday in the leadership of Lebanon's factional forces, agencies report from Beirut. President Amin Gemayel's Phalange party tightened control of the country's right-wing Christian militia, the Lebanese Forces, with his nephew, Mr Fuad Abu Nader, elected as its head. The leftist Moslem forces banded together in a Syrian-supported grouping that charged Mr Gemayel's party was a reactionary force.

Jurek Martin on Nakasone's campaign to stay on top

Party faces cost of unity

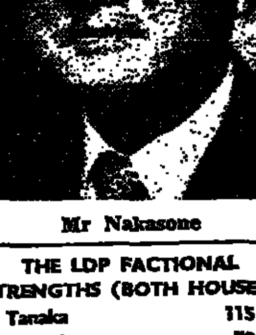
JAPANESE politicians, perhaps more so than their foreign counterparts, do not always say exactly what they mean. On Monday, for example, Mr Kiichi Miyazawa, a veteran of previous Cabinets, appeared to announce his intention of challenging Mr Yasuhiro Nakasone for the presidency of the ruling Liberal Democratic Party, and hence the Prime Ministership, next month. But a closer reading of what he said reveals that he left himself with a significant escape clause.

This is that if between now and October 29, the date for the declaration of presidential candidacies, the LDP achieves "party unity." Mr Miyazawa will not put his name forward. He is not the first to say as much; his patron, Mr Zenko Suzuki, the former Prime Minister and factional leader, has frequently done so, as has, more recently, another potential runner, Mr Shintaro Abe, now the Foreign Minister.

Party rules stipulate that if four or more candidates formally declare a so called "primary" election of LDP rank and file members, about *1.3m of them, must be conducted* prior to a confirming vote by MPs. Otherwise, the selection is effectively left to negotiations between party elders and ratification by MPs. *With Mr Miyazawa and* Mr Abe hedging their bets, and with the third challenger, Mr Toshio Komoto, possibly unable to raise the 50 signatures from Parliament's members *needed to qualify*, the chances of an open fight for the leadership are rapidly receding. But this does not mean Mr Nakasone would be returned to office without paying *a price.*

The bottom line, of course, is that Mr Nakasone looks like a winner. His popularity is relatively, though not insuperably, high and, critically, he still appears to have Mr Kakuei Tanaka, the former Prime Minister and kingmaker extraordinaire, in his corner. The concomitant is that his rivals do not wish to jeopardise their future by being crushed in open contest this time around. But the nature of Japanese politics is such that even those with weak hands can expect to win a few tricks.

This, in effect, is what all the references to "party unity" are about. This is no more than a simple codeword for the equitable division of patronage among the factional forces in the next Nakasone administration. This process of horse-trading, to be decided by intra-party negotiations in the coming weeks, is no merely complex and even fraight with some danger for Mr Nakasone; it is also designed to impose checks and balances on the leader and to advance the causes of those who may ultimately succeed him.



Mr Nakasone

THE LDP FACTIONAL STRENGTHS (BOTH HOUSES)

Tanaka	115
Suzuki	78
Fukuda	67
Nakasone	65
Komoto	32
Ishihara	6
Non-aligned	34

Thus, for example, Mr Suzuki wants the promise of a senior Cabinet or party post for Mr Miyazawa, preferably that of LDP Secretary-General, often a stepping stone to the top, as the price for withdrawing Mr Miyazawa's candidacy.

Complicating the bargaining, however, are divisions within the individual factions, especially inside Mr Suzuki's, the second largest after Mr Tanaka's. Mr Miyazawa, an intellectual whose appetite for conventional rough and tumble politics is unproven, is not very popular among his factional colleagues. Mr Rokusuke Tanaka, the currently ailing LDP Secretary-General, is one leading light who opposes his bid, while others prefer Mr Masayoshi Ito.

There is speculation that Mr Abe might even forgo another senior Cabinet or party post in order to build up his personal following inside the Fukuda faction, the third largest. For all his experience in government, he has remained politically in the twin shadows of his two powerful patrons, both former Prime Ministers — Mr Takeo Fukuda and Mr Nobusuke Kishi (who is also Mr Abe's father-in-law and who, embarrassingly, has already come out for Mr Nakasone). Whatever his choice, Mr Abe is unlikely to remain as Foreign *Minister*; and the *Fukuda* faction will need to be satisfied.

Splits even exist inside the Kakuei Tanaka faction over who should get the best jobs. This is doubly important because, even if later than sooner, Mr Tanaka is going to relinquish his reins one day. It is often said his faction will break up when he goes, but control of it remains an attractive prize. Mr Noburo Takeshita, now Finance Minister, remains the heir apparent and could take over from Mr Abe at the Foreign Ministry or become Secretary-General. But either position could also go to such Tanaka faithful as Mr Susumu Nikaido or Mr Masumi Ezaki.

For his part, Mr Nakasone is still on record as preferring an open primary, largely because he feels that the smashing victory which is within his grasp would render him less vulnerable to the incessant party intrigue; he could even use it to reduce his perceived dependence on Mr Tanaka, if he chose. As it is, by winning a second term next month, he will have done better than his five immediate *predecessors (one of whom,* Mr Masayoshi Ohira, died in office).

But, on this issue, the balance of power and opinion inside the LDP is weighted against him. He only runs the fourth largest faction and the nature of his relationship with Mr Tanaka surely stops short of the latter giving him carte blanche. He is also up against the pursuit of factional self-interest and the underlying fact that he is still not widely trusted. He has not been able in two years to dispel the reputation earned over thirty years as a political weathervane shifting with the winds. Japanese political memories are awfully long.

But, if Mr Nakasone surmounts this, the only date he has to worry about is November 6. If Ronald Reagan loses, then the co-partner in the "Ron-Yasu" relationship will be running for cover himself.

Tax on office equipment opposed

BY OUR FAR EAST EDITOR

THE Japanese Government's proposal to impose higher excise taxes on office automation equipment is again running into strong objection from industry.

A similar attempt by the Ministry of Finance last year to extend the so-called commodity tax to goods such as personal computers and word processors was blocked by the industry lobby, using its connections to the ruling Liberal Democratic Party.

The ministry calculates that it can raise about Y100bn (£328m) in additional revenues by widening the scope of the commodity tax. Industry's view is that it already pays over one quarter of total commodity tax revenues and should not be singled out for an additional burden.

This specific conflict is by no means the only one currently dividing the Government and the private sector. The Finance Ministry and the Keidanren, the umbrella employers association, have already exchanged broadsides over whether or not Japanese corporations are under or over-taxed.

The Finance Ministry's basic problem is that, in the absence of fundamental tax reform, it has little alternative but to target individual sectors in order to raise the revenues and reduce a fiscal deficit which already exceeds £40bn a year.

There is serious discussion inside the Government about both the level of existing taxes and the desirability of relying more in the future on consumption levies, as opposed to income tax. But at present there appears to be no political consensus behind any particular proposal.

AMERICAN NEWS

Mondale sets out on a 'new race' for the White House

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

MR WALTER MONDALE yesterday sought to build on the success of his first televised debate with President Ronald Reagan on Sunday, claiming that the contest for the White House was now "a brand new race."

His vice-presidential running-mate, Ms Geraldine Ferraro, cleared her agenda of public appearances to prepare for her own encounter with vice-president George Bush in Philadelphia tomorrow night—the next step in the Democrats' game plan for an unprecedented come-from-behind victory on November 6.

Mr Richard Wirthlin, Mr Reagan's pollster, admitted that, according to his calculations, the President's lead could slip from 18 to 12 or 13 percentage points by the end of the week, following what was widely regarded as a lack-lustre performance against Mr Mondale.

Mr Tony Coelho, chairman of the Democratic Congressional Campaign Committee, said that Mr Reagan's "awfully confused" debate showing had for the first time "raised the age issue."

Although the Democrats have hitherto refrained from taking direct swipes at Mr Reagan's age—at 73, he is already the country's oldest president—his shaky performance on Sunday has raised questions about whether it may be beginning to tell on him.

Mr Reagan's White House advisers were yesterday trying to shrug off the debate's impact, confident that his enormous lead in the polls — variously estimated at 15 to 30 percentage points — was too big to overcome.

Mr Bush was yesterday playing down the importance of his debate with Ms Ferraro, in which the Democrats are counting on the fiery New York congresswoman to register some telling points. A Bush spokesman said that the debate was "not very important in the long run" and would not decide the outcome of the election.

Mr Bush, however, was embarrassed by a clanger dropped by his wife Barbara, who referred insultingly to Ms Ferraro in what she thought was an off-the-record exchange with reporters on a campaign flight. Mrs Bush said that she and her husband enjoy their lifestyle and don't pretend to be poor "like that $4m — I can't say it, but it rhymes with rich."

Mrs Bush later said she felt terrible about the remark and apologised to Ms Ferraro in a telephone call. Ms Ferraro said that Mrs Bush had been "very, very gracious and very nice."

Ms Ferraro herself, however, suffered a potential embarrassment at the hands of her husband, Mr John Zaccaro, a wealthy New York property developer. He said in a magazine interview that he would insist on attending cabinet meetings with his wife is she is elected. "Even if they don't like it, I would sit in. I want to know what's going on," he said.

President Jimmy Carter was often criticised for allowing his wife Rosalynn to sit in at Cabinet meetings.

Pledge to Israel by Reagan

By David Lennon in Washington

PRESIDENT Ronald Reagan yesterday pledged continued U.S. support for Israel but did not promise visiting Prime Minister Shimon Peres, any additional funds at this time to help Israel overcome its economic crisis.

The President said that the $1.2bn in economic aid already approved for Israel had come "at an appropriate time," implying that the grant would be made available immediately rather than being paid in four quarterly instalments.

Mr Reagan announced the formation of a joint economic development group with Israel to discuss its economic recovery and development programme. This body will apparently monitor the implementation of the Israeli recovery programme and make recommendations about further economic assistance in the light of developments.

The President said that should problems arise for Israel over its balance of payments deficit, "the U.S. Government would work closely with the Israeli Government to avert them."

It was also agreed during the meeting in the White House that the negotiators working out details of the planned free trade area between the two countries should complete their work within 30 days.

Mexicans 'did not authorise' abortive $50m credit deal

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

MEXICO did not authorise Credit Commercial de France to put together last month's abortive credit of up to $50m for Mexico's development bank Nafinsa, Sr Angel Gurria, Director General of Public Credit said yesterday.

This led to a "bizarre situation" in which telexes were being sent out inviting banks to subscribe to a loan of which Mexico had no knowledge, he told a press conference.

The loan, which would have marked Mexico's first voluntary borrowing exercise in private capital markets since 1982, was abruptly postponed a week after soundings began during the International Monetary Fund's annual meeting in Washington.

"We were encouraged that there was a deal being put together," Sr Gurria said, but Mexico preferred to wait until banks signalled their acceptance of its $48.7bn rescheduling plan before tapping the market for fresh loans. Publicity surrounding the credit would not damage its relations with the French bank, he said.

In Paris, a spokesman for Credit Commercial de France said his bank had been asked to sound out the market by the Inter-American Development Bank, which had a written mandate from Mexico for a co-financing loan to develop its tourism industry, including the tranche to be provided by commercial banks.

Sr Gurria, in London to discuss his country's rescheduling proposal with commercial bank creditors, said the plan had met with a positive response so far although it was not yet certain when the banks would be ready to make their basic commitments.

Mexico has promised to repay up to $1.5bn of the $5bn loan granted by the banks last year when these commitments are signed.

For technical reasons, however, the loan may not be repaid until January, with the money first being put into a separate escrow account as a sign of good faith, he said.

Part of the problem lies in the fact that the loan can only be repaid when interest falls due and the next available opportunity is not until January.

BASE LENDING RATES

A.B.N. Bank	10½%	■ Hill Samuel	§10½%
Allied Irish Bank	10½%	C. Hoare & Co.	†10½%
Amro Bank	10½%	Hongkong & Shanghai	10½%
Henry Ansbacher	10½%	Kingsnorth Trust Ltd.	10 %
Armco Trust Ltd.	11 %	Knowsley & Co. Ltd.	11 %
Associates Cap. Corp.	10½%	Lloyds Bank	10½%
Banco de Bilbao	10½%	Mallinhall Limited	10½%
Bank Hapoalim	10½%	Edward Manson & Co.	11½%
BCCI	10½%	Meghraj and Sons Ltd.	10½%
Bank of Ireland	10½%	Midland Bank	10½%
Bank of Cyprus	10½%	■ Morgan Grenfell	10½%
Bank of India	10½%	National Bk. of Kuwait	10½%
Bank of Scotland	10½%	National Girobank	10½%
Banque Belge Ltd.	10½%	National Westminster	10½%
Barclays Bank	10½%	Norwich Gen. Tst.	10½%
Beneficial Trust Ltd.	11½%	People's Tst. & Sv. Ltd.	12 %
Brit. Bank of Mid. East	10½%	R. Raphael & Sons	10½%
■ Brown Shipley	10½%	P. S. Refson & Co.	10½%
CL Bank Nederland	10½%	Roxburghe Guarantee	11½%
Canada Permn't Trust	10½%	Royal Bk. of Scotland	10½%
Cayzer Ltd.	10½%	Royal Trust Co. Canada	10½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	10½%
■ Charterhouse Japhet	10½%	Standard Chartered	‖10½%
Choulartons	11½%	Trade Dev. Bank	10½%
Citibank NA	10½%	TCB	10½%
Citibank Savings	¶11½%	Trustee Savings Bank	10½%
Clydesdale Bank	10½%	United Bank of Kuwait	10½%
C. E. Coates & Co. Ltd.	11½%	United Mizrahi Bank	10½%
Comm. Bk. N. East	10½%	Volkskas Limited	10½%
Consolidated Credits	10½%	Westpac Banking Corp.	10½%
Co-operative Bank	*10½%	Whiteaway Laidlaw	11 %
The Cyprus Popular Bk.	10½%	Williams & Glyn's	10½%
Dunbar & Co. Ltd.	10½%	Wintrust Secs. Ltd.	10½%
Duncan Lawrie	10½%	Yorkshire Bank	10½%
E. T. Trust	11 %		
Exeter Trust Ltd.	11 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	12 %		
■ Robert Fleming & Co.	10½%		
Robert Fraser	11 %		
Grindlays Bank	‡10½%		
■ Guinness Mahon	10½%		
■ Hambros Bank	10½%		
Heritable & Gen. Trust	10½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.25%, 1 month 8.00%. Fixed rate 12 months £2,500 9.75% £10,000. 12 months 10.00%.
† 7 day deposits on sums of under £10,000 7¼%, £10,000 up to £50,000 8%, £50,000 and over 8½%.
‡ Call deposits £1,000 and over 7¼%.
‖ 21-day deposits over £1,000 8½%.
§ Demand deposits 7¼%.
¶ Mortgage base rate.

$120m Westmoreland libel case against CBS starts

BY NANCY DUNNE IN WASHINGTON

ONE OF the most controversial and important American libel trials in recent times began yesterday in New York with the jury selection after months of preparation and public debate.

In a $120m (£97m) damages suit filed against CBS television, General William Westmoreland, the commander of U.S. forces in Vietnam from 1964-68, is charging that he was falsely accused of deceiving President Lyndon Johnson and Pentagon officials about the strength of the enemy.

The truthfulness of both the U.S. military and the media will be on trial at a time when most of the American public forms its judgments from information received from television news programmes.

Of the three networks, CBS usually has the largest audience for its news programmes and Mr Mike Wallace, the hard-driving interviewer who is named in the suit, has long been a highly regarded journalist.

Other big reputations are at stake, including, of course, that of General Westmoreland, who says he was intentionally smeared in a 1982 CBS documentary called "The Uncounted Enemy: a Vietnam Deception."

The trial is expected to include testimony from high Johnson Administration officials such as Mr Robert McNamara, former secretary of defence, and Mr Dean Rusk, former secretary of state, as well as various generals, colonels and Central Intelligence Agency analysts. Thousands of pages of government documents, declassified for the trial, will be used in the argument.

Five Bahamian ministers go in shake-up

By Nicki Kelly in Nassau

THREE BAHAMIAN Cabinet Ministers have resigned and two have been dismissed in a massive shake-up of Prime Minister Sir Lynden Pindling's Progressive Liberal Party Government. The Cabinet shuffle is the result of a year-long commission of inquiry into drug trafficking that has badly tarnished the Prime Minister's reputation.

The Cabinet Office on Monday announced the resignation of Mr Arthur Hanna, Deputy Prime Minister and Finance Minister. Mr Hanna had been in the forefront of a movement by some Cabinet ministers to force Sir Lynden's resignation.

An earlier Cabinet Office bulletin announced that Mr Kendal Nottage, Youth Minister, and Mr George Smith, Agriculture Minister, had resigned "in the interest of the nation and the PLP." Both men were alleged to have been involved with drug smugglers. Both denied the charges.

Two other members of the anti-Pindling faction, Mr Perry Christie, Tourism Minister, and Mr Hubert Ingraham, Housing Minister, were dismissed by the Prime Minister within hours of Mr Hanna's resignation.

Commission investigators found that in the past seven years Sir Lynden spent eight times more than he earned, was heavily in debt, and had failed to disclose receipts of over $645,000 (£538,000) from a close friend accused of influence peddling. Sir Lynden has said the money was paid to settle an old debt.

Sir Lynden has said he does not intend to step down. This seems likely to provoke a long and bitter fight within the governing party.

Chile opposition leaders face arrest

By Mary Helen Spooner in Santiago

A CHILEAN magistrate has ordered the arrest of eight opposition and trade union leaders for their part in organising last months two-day anti-Government protest against General Augusto Pinochet's regime.

In issuing the order, the court cited a special provision of Chile's state security law. The provision was passed last year in an effort to thwart further protest actions by opposition groups.

The eight leaders include: Sr Gabriel Valdes, a former Foreign Minister and President of Chile's Christian Democrats; Sr Mario Sharpe, Social Democratic leader and president of the Multi-partisan Democratic Alliance; Sr Enrique Silva, the president of Chile's Radical Party; three trade union leaders and two socialists.

Authorities ordered the prosecution of 10 opponents shortly after last month's protest, in which at least nine people were killed during disturbances.

The court ruled there was insufficient evidence to charge two of the 10 opposition figures, copper mine workers' leader Sr Raul Montecinos and Sr Sergio Barria, a leader of the leftist Democratic Popular Movement

Conspicuously missing from the government court action was Sr Rodolfo Seguel, the president of Chile's copper mine workers' confederation, who has played a key role in organising the days of protest beginning 18 months ago.

Chile's opposition trade unions have called for a 24-hour general strike against the Government on October 30.

Bolivian Cabinet resigns

THE Bolivian Cabinet resigned on Monday night to facilitate a government reorganisation, aimed to alleviate serious political and economic problems in the country, AP reports from La Paz.

The Cabinet, with the exception of two Communist ministers, said in a letter to President Hernan Siles Zuazo, "recognising your decision to reorganise the Government in order to introduce readjustments in the economic, political and social fields, we resign to leave you in complete freedom to reorganise your Cabinet."

A new Cabinet is expected to announce in the next few days a series of austerity economic measures to control inflation running at 1,000 per cent a year.

Grundig to send China VCR kits for assembly

BY JONATHAN CARR IN FRANKFURT

GRUNDIG, the West German audio and video concern, is to deliver video cassette recorder (VCR) kits to China, with assembly under licence expected to begin at the start of next year.

A Grundig spokesman said broad agreement had been reached in talks with the Chinese this autumn, although details—including the exact number of kits—still had to be decided.

The size of the deal is not yet clear, but it is considered significant, not least because the Grundig kits will be for VCRs of the Japanese VHS format.

The Grundig deal is the second for China. Sony of Japan announced earlier this year plans to produce 300,000 Beta system VCRs in China over a six-year period. Matsushita is also negotiating a VCR deal in China.

Grundig only began to manufacture VHS system recorders this year after long concentrating solely on the V-2000 type, which it developed with Philips.

The company expects its overall VCR production pattern eventually to be roughly one third V-2000 machines and about two-thirds VHS, with a very small share for the third system, Beta.

Delivery of the VHS kits to China, more or less on Japan's doorstep, is thus likely to be seen as a distinct fillip for Grundig's new VCR strategy.

The deal also coincides with announcement of an extension of Grundig's co-operation with the Chinese in the production of colour television sets.

UK trade with Nigeria set to show 2-month dip

BY PATTI WALDMEIR

BRITAIN'S TRADE with Nigeria, its largest export market in Black Africa, is expected to dip sharply in October and November as a result of the dismissal 10 days ago of the country's sole agents for pre-shipment import inspection, SGS of Switzerland.

A flurry of communiqués from the Central Bank of Nigeria, Ministry of Finance, Information Department and the newly-formed inspection team has failed to allay exporters' fears about new inspection arrangements in force since October and is even increasing confusion in some areas.

The majority of exporters in the UK, including the major trading companies which do a substantial part of their business with Nigeria, are responding by suspending shipments of urgently-needed food, raw materials, spare parts and drugs.

Exporters are faced with two options:

- They can ship goods without a pre-shipment inspection certificate, hoping to get a clean bill of health from a government team set up to inspect goods on arrival;
- They can delay shipments until November 1, when new inspection agents are due to resume inspection prior to shipment.

Both options, say exporters, are fraught with risks.

Despite instructions from the Central Bank to commercial banks to honour an inspection certificate from the government team in place of the required SGS certificate when negotiating confirmed letters of credit, banks have yet to amend the letters accordingly. Until they do, exporters cannot be sure of payment.

Shippers fear the inspection team could force them to cut prices of goods on arrival, or refuse them outright, forcing companies to incur substantial shipping costs.

If they decide to delay shipment until the new agents take over, they run the further risk of seeing letters of credit expire if, as they fear, the new companies are unable to begin operating fully on November 1.

Dutch raise credit insurance premiums

By Peter Spinks in Amsterdam

THE DUTCH Government's export-credit balance-sheet is looking far from healthy, with current Argentine and other third-world debts having prompted Mr Onno Ruding, the Finance Minister, to raise credit insurance premiums for 1985 and to impose stricter controls on the acceptance for insurance of export transactions.

The Government's exposure on export credit risks has risen from 1982 by 14 per cent to stand currently at Fl 40bn (£9bn).

Mr Ruding says that Argentina is one of the Netherlands' heaviest debtors.

Poland, Nigeria, Zaire, Libya, and Mexico also substantially account for recent government reinsurance losses incurred through NCM, the Amsterdam-based credit insurance company which reinsures non-commercial or political risks with the Finance Ministry.

The export credit insurance surplus that accumulated since 1945 fell to Fl 152m in 1982, turning into a Fl 306m loss last year. Deficits of Fl 825m are expected for this year and of Fl 380m for 1985.

Mr Harry Groen, the NCM director, also lays part of the blame on the fact that Dutch exporters suffered from weakness in mid-east markets due to decreased oil prices having eroded their import capacity. Several Opec nations have been unable to meet their Dutch obligations.

It is expected that several export credit facilities may be tightened in future as a consequence of the Government's current high level of reinsurance risks.

Dutch export credit premiums, which Mr Ruding is to raise next January, currently range from 0.5 per cent to 7.6 per cent of the value of the total order.

Fisons drug gains U.S. approval

Fisons PLC said its opthalmic anti-allergy drug Opticrom has been approved by the U.S. Food and Drug Administration, Reuter reports.

Opticrom is already available in most parts of the world.

The U.S. market launch is scheduled for November through Fisons subsidiary, Fisons Corp.

Paul Betts examines why Japanese ventures are welcome in one EEC country

France seeks to boost inward investment

"IT'S THE IDEAL type of foreign investment," remarked Mme Edith Cresson, the ebullient French industrial redeployment and foreign trade minister.

But sitting in a government corporate jet, looking tired after recently opening Sony's new video cassette plant near Dax and rushing back to Paris to decorate someone for services to French exports, Mme Cresson acknowledged that such investments were not easy to come by.

At the opening ceremony, Mme Cresson said the new Sony plant showed that France and Japan could work together successfully.

The plant, Sony's second in France, was not simply an assembly operation but had a high value-added content, it was providing new jobs, it involved co-operation between the Japanese group and domestic French companies, and, last but by no means least, as much as 90 per cent of the plant's video-cassette production is intended for export, Mme Cresson added.

Sony established its first French manufacturing plant to produce sound cassettes at Bayonne four years ago. The plant has created 375 jobs and has already produced more than 100m cassettes with 85 per cent of the total for exports.

The new plant near Dax involving initial investments of FFr 140m (£13m) has created so far 125 new jobs.

The latest Sony venture reflects the increasing opening of France towards foreign investment from Japan. Mme Cresson, who has established for herself a "super saleswoman" image for French exports and industry, is now seeking to match this reputation in attracting inward investment.

She flies to Japan today to try to consolidate commercial and industrial ties between the two countries. Her trip comes three months after a visit to Japan by M Laurent Fabius, the former industry minister now prime minister.

In the face of an increasingly difficult domestic industrial and employment situation, France has now lost all its earlier inhibitions about Japanese investments.

Moreover, the overall net flow of new foreign investment in France has been declining since 1980. In current money, the net flow of investments (new investments less disinvestments) has fallen from FFr 13.9bn in 1980 to FFr 12.4bn last year.

In the case of Japan, there has been a sharp increase in new Japanese investments during the last three years. From only four in 1981, there are now 24 Japanese industrial ventures in France.

Japanese new investments in France totalled FFr 604m last year compared with FFr 352m in 1982 and FFr 271m in 1981, according to Industry Ministry figures.

Mme Edith Cresson

The French Government has also made it clear it now welcomed Japanese and foreign investment in troubled French sectors.

Perhaps the most important breakthrough came this year when the French Government approved the takeover by Sumitomo Rubber of Dunlop's French operations.

But Mme Cresson did not miss the opportunity of the Sony ceremony to emphasise France's continuing heavy trade deficit with Japan. This deficit had widened from FFr 9.3bn in 1981 to FFr 13bn in 1982 and to more than FFr 16bn last year.

In the consumer electronics sector alone, the French deficit has now reached nearly FFr 3.5bn a year with Japan currently accounting for a 30 per cent share of a domestic market totalling about FFr 16bn in annual sales.

In spite of industrial investments by companies like Sony, Akai, Clarion and JVC, Japanese companies have only created so far about 850 new jobs in France or roughly 5 per cent of the total employment in the domestic consumer electronics industry.

To encourage greater investment especially in technological areas where French industry is still lagging, Mme Cresson believes it important to create "a certain climate" which is inducive to investment.

The procedure for accepting new investments must be accelerated, she said, emphasising the need for cutting French administrative red tape.

Datar, the French state regional investment body, has traditionally sought to deploy new investments away from areas with already a heavy urban or industrial concentration. But Mme Cresson believes this obsession on regionalism is no longer realistic.

"The administration must not block potential investments. It must encourage them and be willing to seize on opportunities whenever they come up," she said.

Mme Cresson believes France still has a major communications task to market the country and its industrial assets abroad.

She would also like to see the modern business area of La Defense in Paris launched by the late President Georges Pompidou developed into an international window for French industry and investment, and would like to see foreign investors acquire stakes in French companies.

She claims, however, she can do little to introduce new fiscal and financial incentives for foreign investments in France.

"That is the business of the Finance Ministry. I try to do what I can with what I've got," she said somewhat wearily.

Mme Cresson is facing these days a series of major industrial headaches including the problems of the French car industry and of the shipbuilding sector now coming to a head not to mention the arduous task of trying to find a solution for salvaging the Creusot-Loire heavy engineering group.

U.S. steel import curbs 'absolutely vital'

BY IAN RODGER IN CHICAGO

IT MUST be somewhat embarrassing for U.S. steel industry leaders to be hosting their competitors from around the world this week.

Only two weeks ago, President Reagan decided to impose new restrictions on imports of steel—a move that will hurt many of the industry's guests at the International Iron and Steel Institute annual conference in Chicago.

Mr Don Trautlein, the amiable chairman of Bethlehem Steel and host for the conference, was reasonably diplomatic in his "prepared" welcoming address.

"Speaking for the American industry, we are reeling from the trade problems of the last 10 years and especially the last three.

"There appears to be no end to the capacity which each steel producing nation is willing to dedicate to supply our markets." The new import restraint programme, he said, was "absolutely necessary."

But later, at a press conference, Mr Rautlein was more blunt. "If someone starts robbing your house, you expect the police to come and apprehend him," he said.

The U.S. steel industry was operating at only slightly above 50 per cent capacity despite a strong economic recovery and a 10 per cent reduction in its capacity within the past year.

"The industry's greatest problem is clearly the continuing surge of unfairly traded imports."

It was also clear that he no longer believed that unfair trade practices by foreigners would ever stop. Asked if he foresaw a multi fibre type agreement for steel he said: "I'd like to have it, sure."

What about the commitment of European Community countries to wean their steelmakers off subsidies by the end of next year? He was convinced they would not succeed.

That meant the current import restraint agreement with the EEC would have to be renewed or EEC producers would be shut out of the U.S. market completely.

Mr David Roderick, chairman of United States Steel, was equally sceptical. There wasn't "a chance" that subsidies would be removed by the end of 1985. In his view, subsidies bred inefficiencies and an atmosphere of ease out of which it was difficult to break.

But he suggested the U.S. was being extraordinarily generous in allowing importers an 18½ per cent share of the market.

"In the next five years, we are going to permit steel that we know is subsidised and we know is dumped to come into this country. Do you know of any other country that would permit that."

Mr Roderick also parried charges that U.S. steelmakers were inefficient and slow to invest in new plants. "Since the early 1970s, we (U.S. Steel) have ploughed back every dollar of profits made in steel and borrowed $1.5bn as well. The idea that we are not investing in steel is a myth."

Mr Trautlein argued that U.S. steelmakers could be competitive with foreigners on a fair trade basis in the U.S. market. He acknowledged that the industry had high labour costs but these were offset by foreigners' transportation costs.

"If we cannot be competitive we should not have a steel industry in this country," he said.

Australia opts for Sikorsky helicopter deal

Australia said yesterday it had decided in principle to buy eight American-made Sikorsky Seahawk helicopters and associated equipment for its navy at a cost of A$317m (£209m), Reuter reports from Canberra.

The Labour Government's announcement followed an intense batle for the contract with Westland helicopters of the UK, which offered ten Lynx helicopters at a total cost of A$170m.

Westland's plans also included the sale and eventual manufacture in Australia of its W-30 helicopter. That aspect of the plan remains under consideration.

- Air Wisconsin, a regional U.S. carrier, has ordered a seventh BAe 146-200 airliner from British Aerospace in a contract valued at £12m.

Agencies.

ENERGY REVIEW

British Gas sets its sights on industry

By Maurice Samuelson

THE BRITISH GAS Corporation gave notice this week that it does not regard the national need for careful use of energy as incompatible with its hope of expanding its sales throughout the rest of the 1980s.

Despite the sombre memories of the 1974 power shortages evoked by the seven-month-old coal strike, it confirmed that it is going all out to increase its share of the energy used by British industry and commerce.

Both these sectors are now being overtly wooed by lavish advertising about the virtues of gas as a "wonderfuel," a slogan already used heavily in courting the householder.

Simultaneously, gas salesmen working for the corporation's regional boards are now knocking on the doors of factories and offices rather than simply waiting for new customers to approach them. Their message is being reinforced by lavish exhibitions for businessmen and fuel technologists.

The change into a higher marketing gear is prompted by the prospect of increased supplies of gas being landed this winter from the Morecambe field, coupled with a fillip in national energy demand.

It fits in with the corporation's strategy of boosting sales from 17.3bn therms a year to 20bn therms by the end of the decade.

"Over the next six years," says Dr Eric Clatworthy, British Gas director for industry and commerce, "we shall have plenty of gas to sell."

High technology companies are considered to be 'the market of the future'

He is working on the assumption that in subsequent decades the corporation will also begin importing gas from Norway's Sleipner field. Despite signs that the British Government will not permit it to buy as much of the Sleipner gas as it would like, British Gas is conducting its sales campaign as though it will get most of it.

Of the 2.7bn therms of new sales industry would take 850m-900m, the commercial sector 600m-650m, with the domestic market taking the rest.

THE POWER BEHIND INDUSTRY

PERCENTAGE SHARE OF UK INDUSTRIAL AND COMMERCIAL ENERGY MARKETS, BY FUEL, IN 1983

	Gas	Solid fuel	Electricity	Petroleum
Iron and steel	11.7	62.8	10.7	14.9
Engineering, metal trades	37.2	17.2	23.1	22.6
Food, drink, tobacco	34.3	10.5	12.3	42.9
Chemicals and allied trades†	63.2	7.0	11.0	18.8
Textiles, leather, clothing	22.7	22.1	16.5	37.8
Paper, printing, stationery	35.1	15.7	17.1	32.1
Bricks and tiles	42.7	18.3	3.2	35.8
China, earthenware, glass	50.5	2.7	20.0	26.8
Cement	1.1	86.9	8.9	3.1
Other industries	15.5	5.9	19.6	59.0
INDUSTRY (total)	34.1	22.7	14.9	28.2
Public administration	30.5	12.1	15.9	41.5
Agriculture	—	1.6	22.9	75.5
Miscellaneous	35.4	4.9	39.5	20.2
COMMERCE (total)	30.4	8.0	27.3	34.2
WEIGHTED AVERAGE	33.0	18.2	18.7	30.1

† Gas share includes natural gas used as feedstock. If petroleum products used as petrochemical feedstock are included, market shares of fuel used in chemical industry are: gas 42.4 per cent, solid fuel 4.7 per cent, electricity 7.4 per cent and petroleum 45.4 per cent.

Source: Department of Energy

Just over half the new sales to industry would be "interruptible" bulk supplies to replace heavy fuel oil for raising steam in factories and buildings. Originally produced to enable the gas system to balance supply and demand, interruptible gas is sold at a discount with the proviso that it may be cut off during peak winter heating periods.

The corporation's ambitions are causing concern among its rivals, particularly at the National Coal Board, which also has its sights focused on the heavy fuel market. The gas salesmen's plans remind the Coal Board of how gas surged into the industrial heating market in about 1970, undercutting coal as the replacement for oil.

On the industrial front, the higher sales will go to new businesses, to customers switching from other fuels, or to existing customers whose demand is increasing as their activity rises.

Price and the special qualities of gas are seen by the corporations as the determining factors in expansion of sales. Dr Clatworthy contrasts the 28.3 pence a therm for interruptible supplies of gas since October 1 with 38-40p a therm for heavy fuel oil and 20p for coal.

Some of the new industrial demand comes from high technology companies springing up as part of the restructuring of the economy. Their activities range from metal treatment and metal forming to ceramics and plastics, for which heat has to be applied and switched off rapidly and cleanly.

This will be a rather small market, representing perhaps 5 to 15 per cent of energy usage. But Dr Clatworthy sees it as "the market of the future."

Both gas and electricity are competing hectically to supply its energy needs. According to Dr Clatworthy, the battle between the two utilities is "very sophisticated," with electricity putting up "a rather clever marketing effort."

He claims that the new business is currently going about 50-50 to gas and electricity.

Gas is also competing directly with coal for the heavy fuel oil market. Despite pressure on international crude oil prices, heavy fuel oil has become scarcer and dearer as oil companies cut their production of it by squeezing more refined products out of a barrel of oil.

The British coal industry, with prospects of falling sales to power stations, regards factories and buildings which use fuel oil as its only growth area in the immediate future. Its appeal to this market is reinforced by an array of grants and loans from the Government and the European Economic Community inspired by an international desire to reduce dependence on oil.

About four years ago, the British Government's package of grants to encourage the switch from oil to coal was extended to cover conversions from gas. But in spite of this, Dr Clatworthy claims that although gas is losing some business to coal it is gaining even more from companies switching to it from oil.

He regards the whole heavy fuel oil market within the gas distribution areas of the country as potential gas users. He is particularly interested in the large crude heat users, such as paper and chemicals manufacturers, on whom the coal salesmen are also concentrating. In the next five years, he claims up to 500m therms of new business can switch from oil to gas.

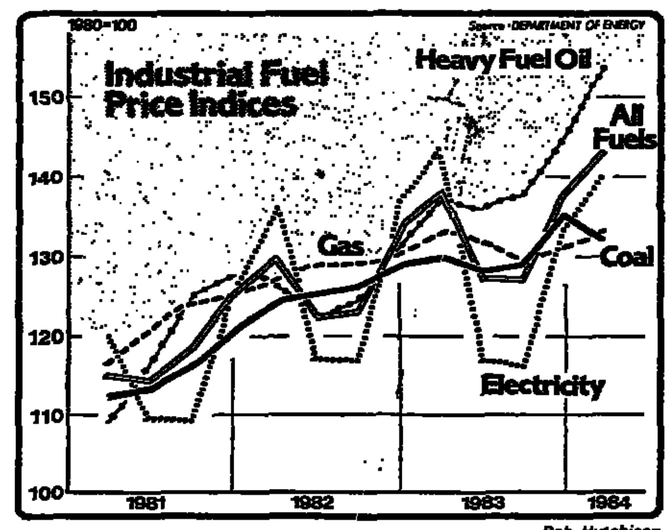
Neither the coal nor the electricity salesmen are surprised by the gas industry's return to the industrial and commercial markets, which has been phased in subtly and gently.

British Gas first froze its marketing in these markets during the 1979 world oil shortage because of a sudden stampede of companies wanting to switch to gas. In the winter of 1980, the corporation was forced to refuse virtually all new bulk customers except those within 25 yards of a gas main.

Subsequently the corporation has gingerly altered its attitude to new customers as a result of three key factors: the availability of gas, the need to replace customers lost during the recession, and latterly the growth in demand due to the recovery in some sectors of the economy.

There were several distinct phases in this relaxation, culminating in this autumn's decision to resume the offensive in public.

The corporation has gingerly altered its attitude to new customers



Bob Hutchison

Within four months of the initial freeze, the corporation began a form of rationing, under which it supplied customers who had already installed gas burning equipment and could not use other fuels. Even so, all applications initially had to be carefully screened, and required approval at four levels of the gas industry. Preference was also given to companies who could prove that jobs would be lost unless gas was laid on.

SIR DENIS ROOKE
British Gas chairman

Two years later, with the recession seriously hitting sales and with gas belatedly available from the North Sea Brent field, the corporation began supplying new factories and those using gas as a premium fuel rather than simply for crude heating which could equally be supplied by oil or coal.

The next step, a year ago, was to take on new "conditional" customers. These paid the same prices as if they had a firm contract for unbroken supplies of gas but with the understanding that their supplies might be cut off at peak demand times. In the event, none of these customers suffered any interruption and they have now been brought into line with other "firm" customers.

The final barrier fell a year ago when British Gas turned to companies wishing to convert from other fuels, or to place gas fired boilers alongside those burning coal or oil.

It still held back from the kind of full-scale marketing campaign launched this month. Nevertheless, sales were by now rising of their own accord. Last year gas overtook oil as the leading fuel in industry (other than power stations). And between April and August this year orders for "interruptible" gas have been 11 per cent higher than in the same period last year, with orders for firm supplies 3.5 per cent up.

APPOINTMENTS

New board at ICL

Twelve new directors have been appointed to the board of ICL from October 9. Following confirmation of the merger with STC and the resignation of Sir Michael Edwardes and the five non-executive directors (Financial Times, October 2) ICL will become a management company responsible for the ICL activities within the STC Group.

The new directors are: Mr D. F. Beattie, personnel director, ICL; Mr D. J. Dace, director and general manager, mainframe systems, ICL; Mr J. T. Dickson, director and general manager, manufacturing operations, ICL; Mr N. F. Eadie, director and general manager, office systems, ICL; Mr J. B. Eyles, director, international business, STC; Dr N. W. Horne, director, corporate development, STC; Mr J. J. Jerram, finance director, ICL and company comptroller, STC; Mr A. W. Lanum, director and general manager, applied systems, ICL; Mr D. J. D. Lewis, director, business intelligence and planning, STC; Mr A. R. Rousell, managing director, ICL (UK) Limited; Mr D. J. Small, business planning director, ICL; and Mr J. M. Watson, technical director, ICL.

These directors join the three ICL directors continuing from the previous board: Dr R. W. Wilmot (appointed chairman from October 1), Mr P. L. Bonfield (managing director, also from October 1), and Mr R. A. Biggam who will remain for a short period to ensure the smooth handover of his finance director responsibilities to Mr J. J. Jerram. Dr Wilmot has indicated that following the establishment of the new board he intends to lessen his commitments in 1985 and concentrate on forward strategy for ICL.

*

Mr Derek Lewis will shortly be joining the board of GRANADA GROUP as financial director. Following a career with Ford, culminating as finance director in the Ford of Europe head office, he joined the Imperial Group in 1982 and is currently group strategic and financial planning director. He is also a director of the corporate development division.

*

SHOWERINGS VINE PRODUCTS & WHITEWAYS, part of Allied-Lyons, has made changes in board management of divisional companies. Mr Derek Stuart Todd becomes deputy chief executive, replacing his present designation as managing director. He continues as chairman of Grants of St James's, and becomes chairman of Victoria Wine Company and deputy chairman of Harveys of Bristol. Mr John Blanche will become chairman of Teachers (Distillers) and later in the year, chairman of United Rum Merchants on the retirement of Mr J. N. W. Hearder. Mr Eric Colwell, who is chairman of Britvic, will also become chairman of Vine Products, and Goldwell, and deputy chairman of Showerings.

*

Mr Howard J. Atkins, at 37 the youngest of Gillette's world-wide senior management team, is leaving his post as president of Gillette Canada, in Montreal, to return to Britain as managing director of UNIPART INTERNATIONAL. From November 1 he takes over responsibility for the worldwide business of marketing Unipart's "all makes" parts and components programme. Mr Atkins began his career with Heinz in the UK before going to Gillette just over 10 years ago. He has held senior marketing and general management posts in Britain, the U.S., West Germany and Canada.

*

Mr R. D. Taylor has been appointed a director of GLAXO HOLDINGS from November 1. He will continue as chairman and managing director of Glaxo Pharmaceuticals.

*

Mr Stuart Hall, marketing manager of the sports services division of THE EXCHANGE TELEGRAPH CO., a company within the Extel Group, has been appointed business development and marketing manager.

*

Mr Andrew R. Cripps, and Mr Stephen J. Pearce, have joined TILBURY ESTATES as estates manager and development manager respectively. Tilbury Estates is the commercial and industrial property development subsidiary of the Tilbury Group.

*

Mr Nicholas W. Nash, an executive director of Pell Frischmann Off-Shore, and Mr Richard A. H. Perkins, managing director of Thomas Wragg and Sons, have joined the board of BRYMILL as non-executive directors. BRITISH ROLLING MILLS, the principal operating subsidiary of the group, has appointed Mr Philip J. Moore as sales director. He succeeds Mr John T. Woodhouse who is retiring but who will remain a member of the British Rolling Mills board until December 31.

*

Mr Robin S. Rexworthy, managing director of Nickerson Metolux and Nickerson Control Components, has been appointed an executive director of the parent company, NICKERSON INVESTMENTS.

TECHNOLOGY

EDITED BY ALAN CANE

VISCOSITY MEASUREMENT FINDS A HOME IN INDUSTRY

A sticky solution to process control

BY PETER MARSH

"JUST about everybody who makes things that flow, from tarmacadam to cosmetics, is interested in measuring viscosity."

This simple statement from electronics engineer Mike Clifton explains why, with three others, he set up a company on the outskirts of London to make viscosity-measuring machines.

In four years, Viscometers, based in Chingford, has registered steady, if unspectacular, growth and now sells each year about 250 instruments worth some £250,000.

The company has just started to move away from selling stand-alone devices that researchers use in laboratories to attack what could be a much bigger market—installation of similar hardware in factories to help in process control.

Liquids can be anything from printing ink to yoghurt, from chemicals to face cream

Here, Mr Clifton's machines monitor the physical characteristics of liquids in vats at various stages during a manufacturing operation. The liquids could be anything from printing ink to yoghurt, from chemicals to face cream.

The devices would be linked to computers that supervise the overall running of a plant. As a result, engineers would monitor from control rooms the intricacies of the manufacture of a specific item, spotting at an early stage, for example, if the product is too lumpy or does not flow smoothly enough.

Mr Clifton, the managing director of Viscometers, set up the enterprise after leaving Alfred Herbert, the machine tool company. In his previous job, he was in charge of the design of machine-tool control systems.

With his three fellow directors, Mr Clifton raised £50,000 to start the company. The others include Alan Jennings (Mr Clifton's brother-in-law, who looks after sales and marketing) and Brian Long, who is in charge of manufacturing. The fourth person is David Easson, a retired City executive who is the company chairman.

To measure viscosity, defined as the resistance of a fluid to a shear force, a Viscometers instrument contains a spindle that is dipped into the material under examination. To the end of the spindle is attached a small disc or cylindrical piece of metal.

The whole unit is rotated by an electric motor at a fixed velocity to produce a shearing force. A small spring linked to the top of the spindle coils up as a result of the resistance to the shear force caused by the liquid's physical characteristics. This movement of the spring is recorded by a tiny optical sensor.

A package of electronics produces a figure for viscosity by dividing the shear stress (registered by the spring's movement) by the shear rate (derived from the turning velocity of the spindle). In a process-control application, the value for viscosity would be transmitted by a digital code to a computer or other electronic mechanism. In the case of a simple instrument used in the laboratory, the figure would appear on a small display on the side of the instrument.

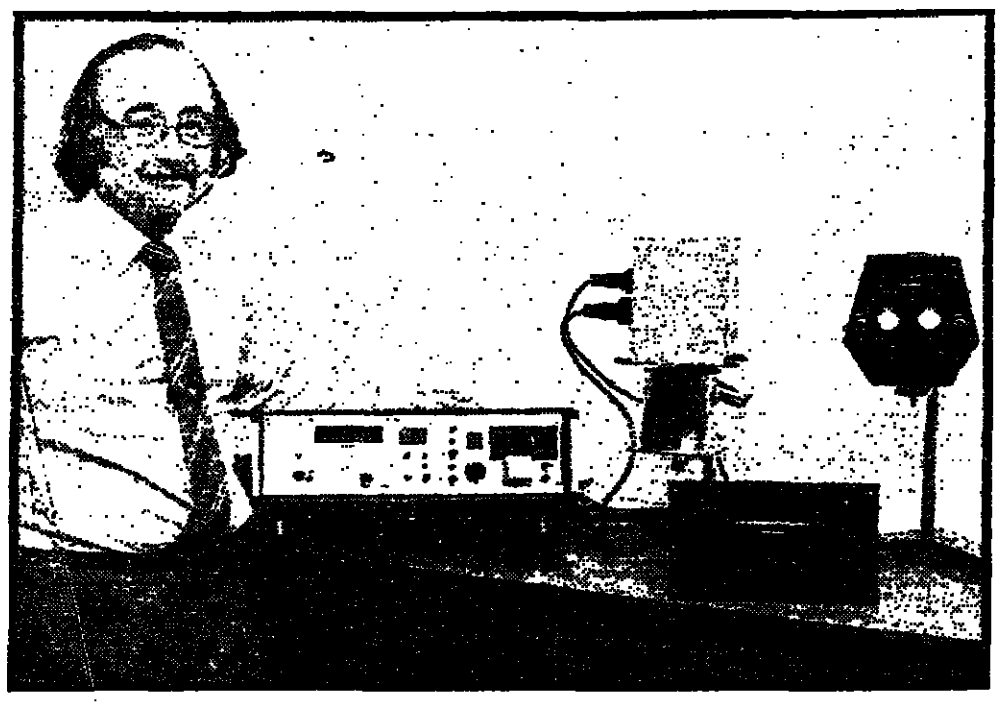
In one process-control application, the Chingford company has sold equipment to a plant in Royston, Hertfordshire, run by Johnson Matthey. The plant produces alloys used in plating processes, for example in the coating of exhausts for cars.

Allied Colloids of Cleckheaton, Yorkshire, has bought viscosity-monitoring instruments to monitor the production of chemicals. A typical installation (which monitors viscosity at just one point in a process plant) would cost the customer about £2,500 for the measuring hardware plus electronic support equipment.

In a variation on the theme of selling to process-control industries, equipment manufacturers are incorporating mechanisms made by Viscometers in items that they sell for specific jobs.

Until recently the monitoring of this quantity in industry was a Cinderella pastime

This development results from the requirement by such companies for closer control of fluids in certain types of industrial machinery. For example, W. R. Grace of London, which makes printing equipment, has bought hardware from Viscometers to install in some of its products. The instruments monitor the characteristics of printing ink to ensure that it is of the correct quality to produce top-notch printing.



Alan Jennings of Viscometers with one of the company's instruments which it hopes will make a splash in the market for measuring the viscosities of liquids

CPC, a Manchester enterprise, is using devices made by Viscometers in a similar application. The company makes machinery used in cardboard manufacture. The people who buy such machinery may find it useful to monitor the viscosity of chemicals, starch for example, that are important in the production process.

Selling to such a range of industries gives Mr Clifton and the five other people in the company a rare insight into the problems faced by companies involved with the control of liquids in processes. The behaviour of chocolate, for example, is notoriously tricky to predict. This is because of the way different fats in the liquid precipitate and redissolve as a result of changes in conditions such as temperature.

Cement, meanwhile, causes Mr Clifton and his colleagues to shrug their shoulders in despair. Because the material contains so many lumps, its viscosity is very difficult to measure.

Viscometers hopes it can persuade more industrialists that viscosity is a quantity worth monitoring more closely. Researchers engaged in detailed scientific work have measured viscosity for years with instruments similar to those made by the British company.

But until recently the monitoring of this quantity in industry was something of a Cinderella pastime. Commonly, factory technicians would have only a rudimentary idea of the viscosity of the items they are making. In one rather haphazard way to evaluate this characteristic of a fluid, a worker might pour a liquid such as paint through a funnel and record the time it takes to flow through the hole at the bottom.

The leader in supplying viscosity-measuring instruments industry is Brookfield, a company in Massachusetts. Viscometers estimates the annual world market for this kind of hardware is worth no more than £5m but is growing. Other companies that sell equipment in this area are Contraves of Switzerland and Haaker, based in West Germany.

Viscometers employs half a dozen small engineering subcontractors to produce most of its hardware. The company simply assembles and tests the final units at its Chingford site.

In an interesting move, Viscometers has become not only a manufacturer of instruments but a landlord of premises in which two of its subcontractors are accommodated. The company bought a set of workshop units when it set up business and let out the space that it did not require.

The two subcontractors that share the Chingford base are Summit Engineering, a toolmaker, and Branco, which does engraving. Also on the site is a small printing concern called Litho that prints Viscometers' stationery.

Computing

ICL's five workstations

ICL has launched five multi-microprocessor workstations for use in office networks. They offer increased performance and capacity and are an enhancement of the DRS 20 range (Distributed Resource Systems).

Each of the models has faster application and workstation processors and double the memory of current models 10, 20, 25 and 50. One of them, the 125, is a new design incorporating a single 5.25 inch diskette and 10.5 megabytes of Winchester hard disk. It can support up to eight additional workstations and simultaneous multiple communications.

The new models, known as the 100 Range, have a starting price of £2,350 (the 110). The top of the range model, the 150, with 27 megabytes of disk and matrix printer costs £11,500. More on 01-788 7272.

Offshore

Pipeline analysis

HYDRAULIC ANALYSIS, a company in Leeds, is assessing the safety of underwater pipelines in a contract for Statoil, the Norwegian state-owned enterprise that is developing the Gullfaks oil fields in the North Sea.

The British company is examining the design of a 2.2 km pipeline now under construction that is due to enter service next year. It is also investigating features of single-point moorings with which tankers will dock once the field produces oil.

As a result of the work, engineers should draw up a set of specifications for using the pipeline and moorings that ensure the equipment is safe and economic to operate.

Graphics

Alternatives to slide projectors

AN ALTERNATIVE to video or slide projectors is being offered in the shape of viewdata computer graphics. Telegraphix, a subsidiary of the £10m turnover Telemetrix group in Tewkesbury.

For just under £2,000 the company is selling its Presenter system which can be used for advertising in shops or presenting graphics in conferences, for example.

Graphic images can be stored on a plug-in module containing programmable memory chips and the Presenter controls the sequence in which the images are displayed. The images themselves have to be prepared at special studios and there are about 20 in the UK of which six are in London.

The system can be connected to microcomputers, disc systems and other computer peripherals or via the telephone line to a distant computer.

It can also act as conventional videotex terminal and will decode Prestel, Bildschirmtext or Telidon, the North American viewdata standard.

Since the company was founded in July more than 150 Presenter terminals have been sold. These have been bought mainly for the pharmaceutical industry as a sales aid to representatives selling drugs to doctors.

RAPID ADVANCES IN SALES

March of the microcomputers

NEARLY 70 per cent of all the microcomputer systems installed in the UK by the end of 1983 were installed in that year alone.

The total was 3.52m; 2.4m of these worth £962m were shipped and installed in 1983.

This figure, which illustrates the dramatic rate at which the UK microcomputer population is growing, is taken from the latest volume in the annual census of the British computer industry carried out by BIS-Pedder.

It is the 11th year that the Pedder organisation has carried out its analysis of UK information processing systems, but only the first dealing with microcomputers.

So rapidly is this section growing, however, that 97 per cent of all the general purpose computers in the UK are microcomputers, representing nearly 25 per cent of the base by value.

More machines of the home variety and costing less than £200 have been installed than any other kind, of course. There were a total of 2.3m units representing 65.7 per cent of the total microcomputer population installed by the end of 1983.

The market leader here was Sinclair Research with 49.1 per cent of the units installed and 46.2 per cent of the value.

Commodore was second with 21.2 per cent by volume and 17.3 per cent by value.

The census shows, however, that for all microsystems shipped in 1983, Sinclair Research led in number of units installed while Commodore led in percentage of total value.

Acorn Computers was third in both categories.

Research Machines was market leader by volume and value in the £500-£1,499 price category, while in the £1,500-£3,499 area, Apple led in number of units installed while ACT led in value.

In 1983 Apple, ACT and Commodore all led IBM in number of units installed and value of installed base.

Above £3,500, where office workstations and personal business computers give way to more specialised hardware—engineering workstations and the like, Hewlett Packard, British Olivetti and ICL are the market leaders. In the £15,000 plus price bracket, ICL (24.5 per cent) supplied slightly more systems than Triumph Adler (22.3 per cent) but more than double the value.

Other suppliers in this top-of-the-line category were Zilog, Alpha Microsystems, Scan Computers, General Automation, Thame Systems and Wicat Systems.

The census reiterates the generally held view that the home market is set for a downturn while the business and professional marketplace remains rosy.

"We predict a downturn in demand for small, general purpose home computers and believe that the emphasis will shift to special purpose computers integrated with, for example, home security or environmental control systems." More from BIS-Pedder on 01-633 0866.

OVERSEAS NEWS

A creature of Malaysian policy

By Chris Sherwell, recently in Johore Bahru, Malaysia

THE ECONOMIC development corporation for the Malaysian state of Johore is a creature of the country's 20-year New Economic Policy, begun in 1970 after Malay-Chinese racial tensions surfaced in riots.

And it is an unusual creature insofar as it has no shares and no dividend payment responsibilities. It has hundreds of millions of dollars in loans, but no current repayment obligations.

The corporation has explicit political objectives, including the eradication of poverty, but it also has a lifelong record of profit. And it has subsidiaries spread across agriculture, industry, property and trading, but is staffed by civil servants.

The new economic policy aims to give bumiputras (indigenous Malays) a greater share of the country's wealth — 30 per cent of corporate equity by 1990. Other Malaysians, including the economically powerful Chinese community, are allowed to have 40 per cent, and the remainder may be held by foreigners.

The key feature of this "restructuring" policy is that its goals are to be achieved out of economic growth, so that no community loses. It is implemented by numerous agencies through the purchase of existing companies and the creation of others. Among these agencies are the state economic development corporations, which also carry out development projects.

Their success rate has been about as variable as their activities. In the state of Selangor, near the capital Kuala Lumpur, the emphasis has been on urban development and housing. On the island of Penang, the so-called "Pearl of the Orient," it has been on tourism. Many have inevitably found themselves involved in loss-making operations.

In the case of Johore, the mainspring of growth has been plantation agriculture, the state's most important economic sector. The man who built up the corporation was Tan Sri Haji Basir bin Ismail, an agronomist-turned-businessman. "He was the brains and moving force behind its growth," says Datuk Mohamed Ali, to whom Haji Basir handed over in 1982 after 12 years as executive director.

Few corporations can have such explicitly political or vague commercial objectives as those spelled out for the Johore State Economic Development Corporation: "The restructuring of society, the eradication of poverty and the establishment of a strong, viable and self-reliant organisation."

Mohamed Ali freely admits that the clash of political and economic objectives poses a dilemma, but he is certain that making a profit is an objective.

In one sense, politics is ever-present. Most employees are Malays, and he himself is a card-carrying member of the United Malays National Organisation (Umno), the Malay party which has dominated the national front coalition that has ruled the country since independence in the 1950s. But Mohamed Ali is adamant that no employee should be involved in party councils, because that would make both the individual and the corporation needlessly vulnerable.

The real politics is more sophisticated: within the departments of government. Mohamed Ali's responsibilities are not simply to the state government, although the Johore chief minister is chairman and a personal working relationship here is essential for success. He must also deal with at least two federal ministries — Finance and Public Enterprises — and he must depend on those ministries' representatives on the corporation's board to smooth the path in Kuala Lumpur.

The corporation has certainly come a long way. It is now established not only in plantation agriculture but in "downstream" commodity processing, the establishment of industrial estates and property development, and in management services, commodity broking and shipping.

The obvious logical pattern behind the development of these businesses is thrown into further relief by the continued migration of people from the rural areas of Johore Bahru, the main city, looking for new jobs and homes.

All told, the group now manages 67,000 hectares of plantation, an area larger than the whole of neighbouring Singapore. Two-thirds of this is planted, mostly under oil palm, and gives employment to 6,700 people. Eastern Plantation Agency (Johore), a wholly-owned subsidiary of the corporation, provides management services for the estates and also for others, and controls one of the corporation's best-known

companies, the publicly listed Kulim (Malaysia), which is the corporation's flag-carrier and chaired by Haji Basir.

Kulim came under the corporation's control — it has 43 per cent of the equity — after a restructuring operation to buy out British interests.

The bulk of the corporation's total of 16 operating subsidiaries, however, are involved not in plantation activity or downstream operations, but in more diverse activities—logging and tin mining, housing development, building materials distribution, property management, truck and bus services, even a medical centre.

By the end of last year, the corporation had opened nine industrial estates with basic infrastructural necessities. More than half the developed area had been sold, and some 450 factory units were ultimately expected to employ 20,000 people. The corporation has also successfully wooed investors and companies from nearby Singapore.

In housing, the corporation, either directly or through subsidiaries, had built some 8,500 units by the end of last year, and was working on projects for another 22,000.

The corporation's finances speak for themselves. Its assets at the end of 1983 were valued at M$750,000, but Mohamed Ali says that, allowing for some undervaluation, they could now amount to M$1.2bn. Pre-tax profit in 1983 was M$40.4m on a turnover of M$178m, and unappropriated profits carried forward totalled M$113m.

Of the M$293m the corporation had outstanding in loans in 1983, almost M$265m came from the government. The corporation has repaid some, but it successfully sought equal treatment with some of its counterparts which had "rescheduled" their payments, and it now only expects to start repayment in 1986.

Over the next five years, says Mohamed Ali, plantations will yield only 30 per cent of the corporation's revenue, and other areas will grow. But while there are new directions, there are also new constraints.

The corporation will face increasing problems obtaining loans from a financially hampered government, and will have to depend more heavily on its own sources of income and on bank loans.

A further problem the corporation faces is in transferring holdings in its companies to other government agencies to be held on behalf of the bumiputra community.

For example, 1.2m units of shares in Kempas Edible Oil have already been transferred to Permodolan Nasional Berhad (PNB), the national equity corporation established in 1978 to purchase shares to be held in trust. But this was done at par value. The government says this is the Johore corporation's contribution to the community, but the corporation says it is hardly calculated to fuel its own growth ambitions.

The corporation is undergoing a metaphorphosis as it simultaneously tries to engineer a change in society. "When the corporation was first established," says Mohamed Ali, "Malays were by inclination rural and economically way behind a large, dynamic Chinese community. There was a dearth of entrepereneurs, and what expertise there was put into agencies like this.

"Now it has served its purpose. We have concentrated on building up assets, growing and expanding. We now have entrepreneurs, and they should be given a chance: the Government's new privatisation policy should be taken as a reality."

Psychologically, says Mohamed Ali, echoing a thought often voiced in modern Malaysia: "It has been important to demonstrate that we, the Malays, can run and manage companies successfully. But we're trying to compress into 20 years what it took others much longer to do. There are bound to be costs. But they will be worthwhile as long as we learn."

UK NEWS

Vauxhall plants hit by strikes over pay offer

BY OUR INDUSTRIAL STAFF

THE FIRST "indefinite" strike in what is expected to be a disruptive motor industry pay round began yesterday at Vauxhall's two main plants at Luton and Ellesmere Port. Production was also halted at the Dunstable truck plant despite a vote to work normally.

In a separate development, union officials representing the 7,000 hourly paid workers at recently privatised Jaguar rejected an offer which the company described as 12 per cent over two years but which the unions said was only worth an extra £5 a week after deductions.

The two sides in the pay strike are also disputing what the offer is. The union say that it is 6 per cent plus a further 1.5 per cent which is the consolidation of a £2 bonus. The company, however, claims that its offer is worth over 9 per cent because of the introduction of a new grading system.

The company has set the bargaining pace in the motor industry for the past two years – with an 8 per cent rise in 1982 and a 7.7 per cent rise last year, when it was hit by a four-day all-out strike but refused to increase its offer..

So far this year, 2,500 members of the Amalgamated Union of Engineering Workers (AUEW) have taken strike action at Ellesmere Port with 1,800 members of the Transport and General Workers Union (TGWU) expected to follow suit today.

At Luton, both the 3,000 AUEW members and the 4,000 TGWU members are on strike.

A company spokesman also said that the Ellesmere Port AUEW members had decided to meet again on Thursday, which could indicate that the action will be short-lived.

Both Vauxhall and Jaguar are successful companies facing strong pressure for a large share in that success from the workforce. Vauxhall's UK market share has risen from 8.2 per cent in 1979 to 16.84 per cent today, but the unions argue that average earnings – at present £116 a week – lag a long way behind the £148 at Ford and £140 at Austin Rover.

Civil servant sent for trial over 'leak'

BY OUR LAW COURTS CORRESPONDENT

MR CLIVE PONTING, the Defence Ministry Civil Servant accused of leaking government documents about the sinking of the Argentine cruiser the General Belgrano during the Falklands war, was yesterday sent for trial at the Central Criminal Court, charged with an offence under the Official Secrets Act. He was allowed bail.

Mr Roy Amlot, prosecuting, alleged that Mr Ponting sent copies of two documents – one marked "Confidential" – to Labour MP Mr Tam Dalyell. There was no suggestion that the material disclosed was damaging to national security.

When first questioned by Ministry of Defence police, Mr Ponting's response had been, "Good God, you don't suspect me?" Later he had said that, although there appeared to be a strong circumstantial case against him, "honestly I did not do it," Mr Amlot said.

Subsequently Mr Ponting made a statement in which he said: "I am sorry that I breached the trust the department had in me and that I photocopied and sent two documents to Tam Dalyell, MP. I did this because I believed that ministers within this department were not prepared to answer legitimate questions from an MP about a matter of considerable public concern, simply in order to protect their own political position."

Mr Jonathan Caplan, for Mr Ponting, said that the admissibility of that statement, and of certain police evidence, would be challenged at the trial.

Electricity board to spend £30m on acid rain research

BY DAVID FISHLOCK, SCIENCE EDITOR

MORE THAN £30m is to be spent on research and development directly involved with "acid rain", over the next two to three years, the Central Electricity Generating Board (CEGB) said yesterday.

The scale of its scientific programme was disclosed by Sir Walter Marshall, CEGB chairman, in the course of a defence of British Government policy on acid rain.

The Government is refusing to accept an EEC directive requiring a 30 per cent cut in industrial emissions of sulphur dioxide.

Sir Walter rejected the criticisms of the parliamentary Select Committee on the Environment, made in its acid rain report last month.

The MPs had misunderstood the evidence he and his scientists provided, he said. "I have never previously seen a select committee report where the written statement so clearly contradicted the evidence they received."

Sir Walter said the weight of international scientific evidence had shifted since 1980 from blaming sulphur dioxide for damage to forests, to blaming ozone.

The current hypothesis is that ozone, a particularly active form of oxygen, reacts with hydrocarbons and oxides of nitrogen to produce acid rain. "Unless you get the science right first, you are likely to end up wasting resources and money on controls that will have little or no effect," Sir Walter said.

Scientific opinion in West Germany, which had led the crusade for controls on sulphur emissions, was shifting to seeing the need for controls on hydrocarbon and nitrogen oxide emissions.

The CEGB acknowledges that it emits 45 per cent of the oxides of nitrogen released in Britain but only 1 per cent of the hydrocarbons.

The chief sources of hydrocarbons emissions are motor vehicles, petrochemicals plants and leakage of natural gas.

He believed that international research could confirm the cause of acid rain within a year or two.

The CEGB's £30m programme, managed from laboratories at Leatherhead, includes pilot-plant investigation and demonstration of several technologies for reducing all three kinds of emission.

The biggest investment is in a study with the National Coal Board, at a joint cost of £25m of pressurised fluid-bed combustion, using the Grimethorpe experimental plant in Yorkshire. The cost includes a major capital expenditure.

It could lead to a new, very-low-pollution boiler for the refurbishing of Britain's big coal-fired stations around the end of the century.

A full-scale demonstration of a burner developed by NEI to reduce emissions of nitrogen oxides from coal-fired stations is planned for 1986, at a cost of £2m.

Other major studies involve Babcock International and Foster Wheeler.

But two proven methods for reducing the emissions from British power stations in the short term are not being seriously considered, Sir Walter said. Both are seen by the CEGB as politically unacceptable.

One is to import cleaner coal than can be bought from the NCB. The other is to burn natural gas.

But the CEGB is engaged in a joint study of a commercial-sized station which would burn gas produced from coal by the British Gas-Lurgi slagging gasifier under development in Scotland.

● Time was running out for dealing with the problems of acid rain, Sir Hugh Rossi MP told the Conservative Party conference yesterday.

Sir Hugh, chairman of parliamentary Select Committee on the environment was speaking on the Tories' first debate on conserving the environment.

The motion, overwhelmingly carried called on the Government to conserve the environment by all practical means, including the reduction of known sources of pollution and "vigorous defence" of the Green Belt (undeveloped land between urban areas).

He warned of the dangers of acid rain to Britain's historic buildings such as Westminster Abbey and St Paul's.

● The environmentalist group, Friends of the Earth, yesterday named 12 power stations at which it is said the Central Electricity Generating Board should install gas scrubbing equipment to comply with the EEC directive on acid rain.

Conference report, Page 11

Borrowing limit problem for Shorts

SHORT BROTHERS, the state-owned Belfast aerospace company yesterday warned that it might have to take unspecified measures to keep within the borrowing limits set by the Government, Our Belfast Correspondent writes.

The company, commenting on reports that it was considering short-time working for some of its 6,000 employees, admitted that deliveries of its computer aircraft this year might be fewer than planned.

It said sales of aircraft and guided weapons had been exceptionally high in the past two years but the commuter airliner market remained highly competitive and, in some areas, depressed.

Shorts said there had been talks with shop stewards about "a number of measures" that might have to be taken to keep within borrowing limits. There have been reports that the company is considering the possibility of layoffs as well as short-time working but a statement yesterday did not go into detail.

Sir Philip Foreman, the chairman, said: "We have to tailor our output, particularly of aircraft, to match the order book in a volatile world market. The present discussions are merely precautionary in case we have to introduce any variations in the working patterns."

□ LEYLAND VEHICLES workers yesterday voted to fight any job cuts after the company's announcement of 446 redundancies affecting bus division plants at Leyland in Lancashire and Workington in Cumbria.

At a mass meeting 3,500 shop floor workers backed proposals from their shop stewards which will mean a ban on overtime except for essential work and total opposition to any compulsory redundancies.

□ AUSTIN ROVER, BL's subsidiary, is to return to the estate car market with the launch next month of a purpose-built estate based on the Montego medium saloon which was launched last April.

The Montego is the first new British estate to be introduced since the Austin Marina in 1975. The Marina later became the Ital and eventually went out of production two years ago.

□ SCOTLAND has a huge "whisky loch" which would take two years to sell, even if every distillery in the country closed tomorrow, a report from the National Economic Development Office says.

Distilleries were working at half capacity and bottling plants at less than two thirds capacity so that stocks could be cleared. The industry had shed 7,000 jobs in six years in an attempt to reduce surplus Scotch.

□ MR JAMES PRIOR, the former Northern Ireland Secretary, is to rejoin the board of United Biscuits on November 13. Mr Prior, who had previously been a director of the company from 1974 to 1979, will soon also become chairman of GEC, the electronic systems, engineering and telecommunications group.

Clore 'planned to end Monaco tax exile'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

SHORTLY BEFORE his death in 1979 Sir Charles Clore, the founder of the Sears Holdings empire, had been contemplating ending his self-imposed tax exile and returning to live in England, inspite of the tax consequences, the High Court in London heard yesterday.

Close friends and business associates of Sir Charles gave evidence that he always preferred England to Monaco, where he had taken up residence to avoid UK tax.

Their evidence was read to Mr Justice Nourse, who is being asked by the Inland Revenue to rule that Sir Charles remained legally domiciled in England and did not, as others interested in his estate contend, acquire domicile in Monaco.

An English domicile ruling would mean that the Revenue could claim tax – amounting to about £75m – on the whole of Sir Charles' worldwide estate, estimated to be worth about £100m.

Monaco domicile would reduce the tax to about £20m, on Sir Charles' £27m English estate.

Banks 'limited' on high-tech support

BY DAVID LASCELLES

THERE ARE limits to how far banks can or should support technological innovation by providing finance, according to Lord Boardman, the chairman of National Westminster Bank, the UK's second largest clearing bank.

Responding to criticisms that banks are not doing all they might for small, high-technology companies, he said: "It is unrealistic for government and industry to suppose that banks alone can provide the entire financial support needed to bring forward a golden age."

Lord Boardman, who was speaking at a Cambridge seminar, the *proceedings of which are published* today, listed the three main charges that are usually made:

● That banks lack deep understanding of new technology;

● That they do not become sufficiently involved with businesses other than during the start-up stage *or when first approached for money*;

● That their lending policies do not emphasise small businesses or high-technology industries enough.

He said banks took such criticisms seriously. "But we cannot, as bankers, forget the responsibility we have to all depositors who depend on the strength and stability of the banks for the safety of their assets."

Other financial institutions, such as pension funds and multinational companies, are better able to supply the equity investment that many emerging companies need. Bankers also lay great store by the quality of management, and they cannot be expected fully to understand new technology (although they are researching improved services) or keep fully abreast of a single firm's progress.

Lord Boardman said "the creation of a thriving new technology sector" required greater co-operation between government, industry and the financial community. But he also cited three weaknesses common to many small firms: they rely too much on bank finance, their managements have poor long-term strategies, and the information they produce is not good enough either for their companies or their bankers.

Mr Kenneth Baker, Minister of State for Industry and Information Technology, said government policy was to support technology and encourage small firms. But its main responsibility was to ensure an economic environment in which entrepreneurs could operate freely. The principal role lay with small firms and their managers.

Financing New Technology, Cambridge Seminar, September 1984. Institute of Bankers, £4.25.

Search for new ground in talks on coal dispute

BY OUR LABOUR STAFF

THE BEST hopes of progress in the renewed round of talks tomorrow between the National Coal board (NCB) and the National Union of Mineworkers (NUM) at the London offices of Acas, the government-backed conciliation service, is that both parties agree to the dispute shifting onto new ground.

Even if that hope is realised, however, it would be unwise to be over-optimistic. Both sides have enormous principles at stake. The NCB has had its principles – the right to manage and to close uneconomic pits – heavily underscored in recent days by the Government.

At the same time the threat of a strike by the pit deputies, Nacods, receded yesterday after the union's leaders agreed with officials of Acas that they would be involved in tomorrow's talks. The strike threat will be held in abeyance pending a satisfactory outcome of these talks.

Mr Roy Ottey, a member of the national executive committee of the NUM yesterday announced his immediate resignation from the union. He said he wished to dissociate himself from any move by the union to "flout the law."

He is secretary of the union's 5,000-strong power group which represents mainly colliery craftsmen in the Midlands, and has been on the right wing of the 26-strong executive. About 80 per cent of his members are working in defiance of the union's strike call and he has favoured a national strike ballot.

He said yesterday he was "not prepared to support the proceedings that are likely to take place in the High Court tomorrow" – a reference to the expected non-appearance in court today of Mr Arthur Scargill, the miners' president, to answer contempt charges.

Other right wingers on the union's executive indicated last night they would not be following Mr Ottey's lead. Although they sympathised with his feelings, they said it was more important to stay to bring to bear whatever influence they could.

In its talks with Acas over the weekend the NUM told Mr Pat Lowry, the chairman, and Mr Dennis Boyd, the chief negotiator, that it wanted a new approach: an end to attempts to get a form of words in clause 3 (c) of the draft agreement which would give the board the right to close uneconomic pits.

In its place the NUM has signalled its willingness to examine each pit which the board wishes to close on a practical case by case basis.

This has been the NUM's posture since the breakdown in the last series of talks three weeks ago, one which it has made clear to the TUC and the Labour party. It has pointed out that few (if any) employers have sought to conclude agreements with unions in which they insist on the express right to close capacity in principle and in advance: such issues are dealt with, conventionally, as and when the need arises.

This is a line of attack which the Acas officials put to the NCB on Monday in a face to face session with Mr Ian MacGregor the NCB chairman and his senior officials. In this conversation the first outlines of a possible deal began to appear.

If the board were to withdraw its insistence that an agreement be signed which enshrined – in some phrase the crucial word "beneficial" or "satisfactory" and the right to close loss-making pits, it could then save the principle by putting in the final agreement an intention to continue to seek efficiencies in loss-making pits, continue to put up collieries for closure, and press the union hard for agreement on their closure.

A second element would then come into play, that introduced by the pit deputies union Nacods. The deputies have put as a price for calling off the strike for which they have an 82.5 per cent majority, agreement on a new colliery review procedure which would include an element of independent arbitration.

The idea is that this independent body would intervene in the closure procedure before it got to the board: a disputed closure would be considered by the arbitral body and its judgment would then be conveyed to the NCB members before they took a final decision.

Nacods's initial demand was for that decision to be binding: but it is probably prepared to compromise on a body whose judgments are advisory but to which both sides commit themselves to using their endeavours to obey.

Such a settlement would leave both parties free – the NCB to reject the advice to keep open a pit which it wished to close, the NUM to continue to fight against a closure where it thought capacity remained. Anything else would amount on its side to a "no strike deal" which Mr Arthur Scargill, the NUM president, and his colleagues would be unlikely to countenance.

There will have to be discussion over the terms of reference of this body – how far, for example, should its brief be extended to include non-industrial matters such as the effect of closure on a local community. Crucially, Acas yesterday promised to the Nacods leadership that it would keep it involved in the NUM talks bringing it in when the colliery review procedure was being discussed.

Radical plan backed by NCB directors

BY MAURICE SAMUELSON

A RADICAL new plan for breaking the deadlock in the coal strike is being canvassed among directors of the National Coal Board (NCB) for discussion at their next informal meeting this week.

It is designed to save some of the most unprofitable pits from closure without compromising the board's prerogative to run the industry on a commercial basis.

The plan is understood to have been drafted by one of the six non-executive directors who joined the board after Mr Ian MacGregor's appointment as chairman.

It involves the creation of a third body, independent of both the NCB and National Union of Mineworkers, to be responsible for running pits in areas where pits provide the main source of employment and whose closure would cause serious social disruption.

Its author draws an analogy between the maintenance of such pits and the preservation of unprofitable railway lines and airline routes which serve outlying parts of the British Isles.

Although like Mr MacGregor himself, the NCB's non executive directors were chosen for their commercial acumen and track record, it is clear that some of them have become increasingly frustrated over the length of time that the strike has lasted.

As non-executive directors, they are said to feel responsible for offering fresh ideas to their full time colleagues as well as for wider discussion.

The latest scheme which has already been submitted in writing to Mr MacGregor, is based on the assumption that the coal indusry, like any other industry, cannot surrender its right to take executive decisions, such as when to close capacity, without entirely losing credibility.

The proposed new body, however would be able to assess if closure would cause a unusual degree of hardship and whether pits should be kept open for social reasons, thus separating political and social accountability from economic accountability.

Although the full board normally meets only once a month, the directors have been kept constantly briefed about the progress of the dispute,

Strong public interest in BT share offer

BY CLIVE WOLMAN

MORE THAN a quarter of British adults say they are interested in buying shares in British Telecom (BT) with a minimum investment of £250, according to the results of an opinion poll released yesterday.

Government hopes about the level of private investor participation in the £3.5bn sale of BT shares next month have been further boosted by the number of inquiries from the public.

The British Telecom Share Information Offices in London and Bristol have so far received 700,000 enquiries. About two thirds have been coupon requests for further information and the remainder have been telephone calls.

The opinion poll was conducted one to two weeks ago by MORI (Market Opinion Research International) taking a sample of 2,000 adults in the UK.

The poll was commissioned by BT and its advisers as part of a market research programme to evaluate the £7.6m advertising campaign to interest the public in BT shares. About half the budget has been spent so far.

Mr David Clementi of Kleinwort Benson, the merchant bank advisers to the Government and BT, said yesterday that he was "surprised and delighted" by the level of public response.

The Conservative Party at Brighton

Government to bear bigger cost of policing pit strike

MR LEON BRITTAN, Home Secretary, has announced a big increase in the Government's share of the cost of policing the strike by the National Union of Mineworkers (NUM).

He told the Conservative Party conference yesterday that the cost borne by any local authority would be limited, however long the strike lasted.

Any costs above a level set by the Government would be met in full by the Exchequer, he said. In Nottinghamshire, for example, this would mean a limit on policing costs of £900,000, in Derbyshire £825,000 and in South Yorkshire, £1.05m.

Mr Brittan was cheered as he told conference: "Central government has never provided financial help on this scale before. But it is right that we should do so now."

He was replying to a debate on law and order dominated by rank and file demands for tough action against miners' pickets. Several representatives echoed the Prime Minister's description of the strikers as "the enemy within." Others labelled Mr Arthur Scargill, president of the NUM, a fascist tyrant.

Mr Brittan announced a number of measures to deal with picket line offences.

- More stipendiary magistrates have been appointed in strike areas, and more will be sent in if necessary.
- Legislation is to be introduced to limit delays between charges and trial in criminal cases, following the example of Scottish law.
- The Police and Criminal Evidence Bill is to be invoked to prevent police authorities attempting to suspend Chief Constables without the approval of the Police Complaints Authority.

Conference reports by Our Political Staff

Mr Brittan said the Government would not allow left-wing police authorities to undermine police operations. The dispute had shown that Chief Constables needed protection against "politically motivated acts of spite."

Mr Brittan told representatives who demanded new laws on picketing and public order that he was "ready to consider this." New laws might well have a part to play in the future, but there was no point in passing laws unless they could be enforced.

Mr Brittan said the leaders of the Labour Party had chosen "to link arms with the enemies of democracy." The hallmark of Mr Neil Kinnock, the Labour leader, had been opportunism and his "stock in trade deviousness."

He challenged Mr Kinnock to tell Labour firmly and unequivocally that the law had to be obeyed, and tell the National Union of Mineworkers to end violence and intimidation or forfeit Labour support.

The miners' strike was an insidious threat to the rule of law. The presence of thousands of people on picket lines could only be intended to intimidate and coerce, and to use fear to smash freedom.

Thousands of pickets had attacked the police lines, but every miner willing to cross picket lines had been able to do so.

The police had received the Government's total support, and would continue to do so. The law of the land would be upheld, and the right of people to go to their jobs would be defended.

The strike was not an industrial dispute or even an attack on the Government, but an attack on the rule of law itself, he said. Miners' leaders sought only to win power to obstruct change and ruin economic recovery, to intimidate workers and their families, and to turn the country into a shabby look-alike version of the Eastern Bloc states they so admired.

□ GOVERNMENT supporters were urged to exercise restraint in reponding to the extremism of Mr Scargill, by Mr John Gummer, the party chairman.

He gave a warning: "We must not be forced by Arthur Scargill's implacable political posture into the extreme response he longs to see. Firm on the essentials, we must seek to show our willingness to listen where there are real fears and justified concerns."

Mr Gummer avoided any direct reference to the recent criticism of the Government's handling of the dispute by Dr Robert Runcie, the Archbishop of Canterbury.

But the conference seemed to have no doubt whom he had in mind when he said he wanted to be "very straight with my friends" who had suggested that the government was somehow too hard and had called for a softer approach.

Mr Gummer declared: "There is no soft answer which would result in anything else but the loss of tens of thousands of miners' jobs, and even more tens of thousands of jobs in other industries which depend upon coal and the electricity which it produces."

□ MR NORMAN TEBBIT Trade and Industry Secretary, said last night that the "drift back to work of miners to pits would ultimately break the coal strike. "It must happen," he said. "We are prepared if necessary for it to take a very long time."

Interviewed on BBC television last night, Mr Tebbit's remarks did not appear optimistic over the new round of talks set for tomorrow,

Leon Brittan: "Ready to consider new laws"

Miners fuel the old Tory emotions on law and order

THE RELIGIOUS service which is held at the start of every Conservative party conference is normally seized on by the press as an opportunity to spend an extra half hour in bed, John Hunter writes.

In Brighton yesterday, however, the media was out in force to keep an eye on this ecumenical occasion. With Dr Runcie, the Archbishop of Canterbury, criticising the Government's handling of the coal strike we could not afford to take any chances with the clergy.

The revolt of the bishops, however, does not yet seem to have spread to the peaceful diocese of Chichester which embraces this part of the south coast. Prayers were offered up for justice and reconciliation and party members decidely joined in the hymn "Lord of all Gentleness, Lord of all Calm."

This atmosphere of healing and reconciliation rapidly evaporating during the following law and order debate which concentrated on the policing of the miners' strike.

Needless to say the miners' president Arthur Scargill was a much more convincing Tory hate figure than Tony Benn, the Labour left winger who has filled that role for many years.

The high moral tone adopted during the denunciation of violence on the picket line was spoilt, however, by an event on the sidelines. Mr Hew Shooter, a party member who had planned to take part in the debate, was appearing in the local magistrates court where he was fined £200 for taking part in a midnight raid on the Campaign for Nuclear Disarmament's (CND) 100 ft replica of a nuclear submarine on the Brighton seafront.

Apparently a gang of what CND described as "well dressed thugs" demolished this exhibit which had been intended to demonstrate the folly of the Government's policy on the Trident nuclear missile.

Mind you, a mere fine was nothing to the penalties being demanded by some conference speakers for those guilty of violence. The debate spilled over from the event of the miners' strike and occasionally came close to resembling those good old days of hanging and flogging controversies at the Tory conferences of 20 years ago.

Mr W. Coates proposing the law and order motion wanted "swift and mandatory punishment" for violent picketing, the abolition of social security payments for strikers' families and unions to pay the cost of policing their own picket lines. Not much sign of the healing touch there.

But the atavistic nerve of the party was merely struck by another speaker, a former policeman, Tom Butcher. Young people, he assured us, were best dealt with by punishment rather than reform.

As a young man, he confessed, he had always been an abolitionist, but now he had to concede that 90 per cent of the public wanted a return to capital punishment. This heady stuff was too much for his audience. They jumped to their feet to give him the most heartfelt and spontaneous ovation of the day. Why, it was just like old times.

Changing a culture

The rulebook makes way for risk-taking

BY JASON CRISP

THE comfortable and well-paid life of the typical British Telecom manager has been rudely interrupted by attempts to convert this entrenched bureaucracy into a fast-moving commercial concern.

Until very recently the BT manager could bank on steady promotion, little risk, and a guaranteed job until 65 followed by retirement with an inflation proofed pension. Now many managers over 50 are being forced to take early retirement. Key jobs are going to a new breed of keen young turk or to outsiders from private industry. And for the first time in living memory risk taking is encouraged, responsibility is being pushed back down the organisation and managers are being asked to manage.

As part of the old General Post Office, British Telecom was until 1969 a government department. Its management, its culture and its accounting systems were all those of the civil service and completely unsuited for being thrust into the commercial world.

Changing this culture is one of the toughest challenges faced by any British management. Customers, competitors and suppliers acknowledge their surprise at the speed with which BT has reacted to the new competitive environment. But inside BT there is turmoil, infighting and uncertainty as it tries to adapt to its new role.

Sir George Jefferson, who became chairman of BT four years ago, has reorganised the corporation, developed decision making away from the centre and permitted limited internal competition as a means of honing its very blunt commercial edges. The result, so far, is that there is very little sign of a clear strategy, but some deeply held attitudes within the company are beginning to change.

Deryk Vander Weyer, former banker and deputy chairman of BT, says of the old style: "Managers were less managers of a business than administrators of a central rulebook. It did not encourage managers to manage or to be in any way entrepreneurial or responsive to customers. Decision making operationally should be as close to the customer and as close to the product as you can dare to put it. You get more responsiveness and efficiency if you devolve responsibility to people who understand the business at the front line."

The idea of decentralising and making BT more responsive to customers is far from new. As long ago as 1932 the Bridgeman report on the GPO said: "The centralisation of administration and the higher executive functions has tended to denude . . . the provincial staffs of real responsibility and authority, and has inevitably imposed an undue rigidity where, in contact with the public, flexibility is required."

Fifty years later BT is finally embarking on its first serious attempt to decentralise and break down the structure of a large and powerful central headquarters buffered from much of its line management by similarly large regional headquarters.

When Sir George first joined BT he was shocked by what he found. At the time BT had sales of nearly £5bn, was spending more than £1bn a year on fixed assets and employed nearly a quarter of a million people. Yet it had no effective accounting system, could barely identify its assets and had no real idea of where it made or lost money.

The BT board recognised that it could not decentralise without proper commercial financial controls and a new accountancy system is still in the process of being introduced. It will be several years before the system is good enough to give a proper divisional breakdown in the published accounts.

"Just to try to change your accounting system in a business structure that is reasonably stable is bad enough but to try to reorganise totally the business and at the same time develop a new accountancy structure and financial management was no mean task," says Sir George.

The major part of the management reorganisation began in 1982 when BT was divided into four divisions. This was increased to five last year when the inland division was divided into national networks and local communications services. The structure now is:

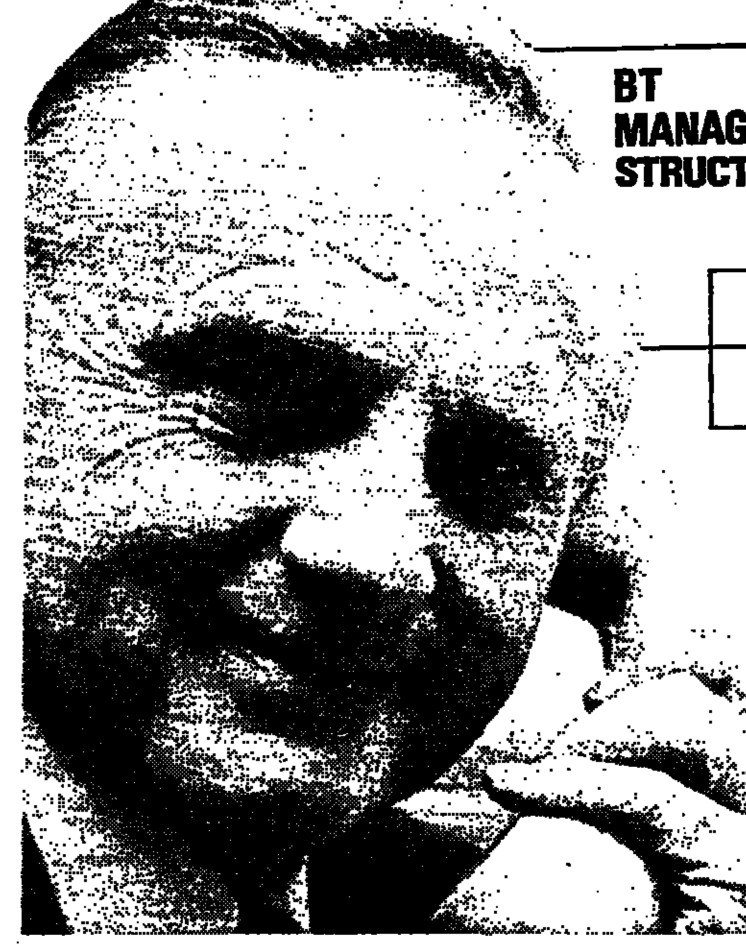
BT Enterprises. A new division set in up late 1981 as BT's competitive arm for products and services. The majority of its sales are to other parts of BT which actually supply the products to the customer. It is responsible for product strategy of all customer equipment offered by BT ranging from large exchanges for business to telephone handsets for the home. BTE also supplies a number of specialist services from cellular mobile radio to the Yellow Pages directories.

BT International. The highly profitable international division was the one part of the old organisation which was run with some independence from headquarters. It is responsible for incoming and outgoing telecommunications to and from this country.

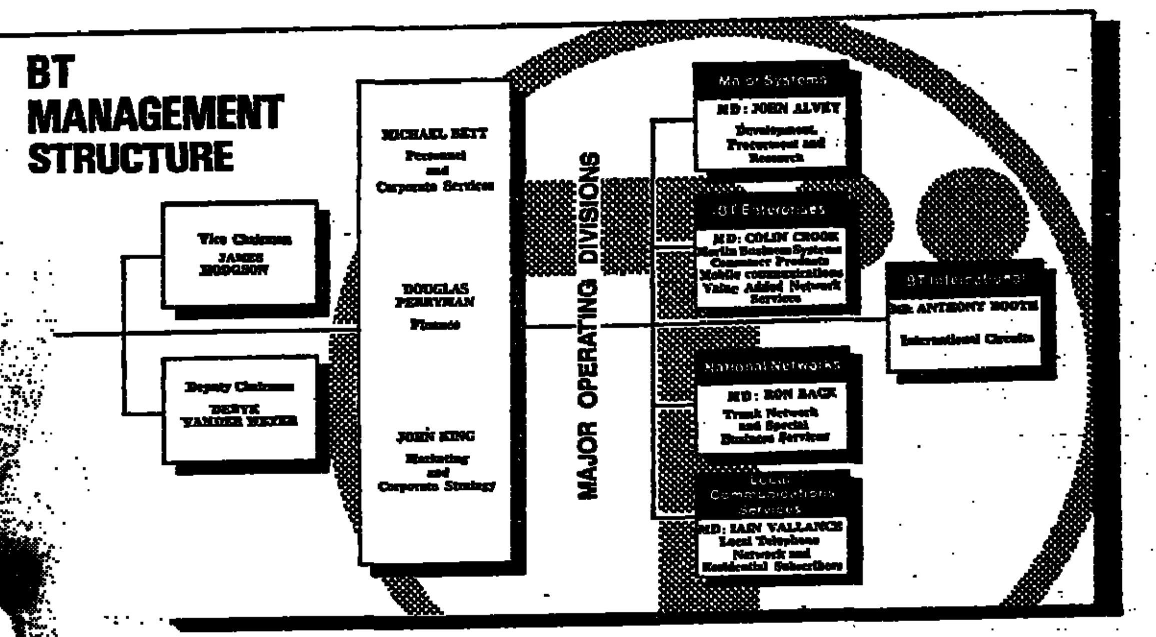
Development and procurement. Last year spent nearly £1.5bn on behalf of BT. It is responsible for all purchasing, other than customer equipment bought by BTE, from telegraph poles to System X telephone exchanges. Also responsible for BT's £179m a year research and development activities.

National networks: Responsible for the trunk telephone network in the UK including private leased circuits and telex. Supplies large businesses with telecommunications equipment through major account managers. It also provides digital X-stream services to business. Total revenues last year of over £2bn.

Local communications services. BT's largest division by any measure. Employs over 200,000, capital employed is estimated at £6.6bn and has gross revenues of over £4bn. Runs the local telephone network including the provision of almost all customer equipment, billing, operator services and call boxes.



Chairman SIR GEORGE JEFFERSON



Most of the divisions have been making substantial changes within their individual organisations, creating profit centres and introducing marketing, a much-neglected art under the old regime. One of the results has been the creation of a marked tension both between the different divisions and between the headquarters and the local management.

For example, BTE has had to fight its corner particlarly hard. The conflict arises because BTE is responsible for choosing and pricing the products which National Networks and LCS are then responsible for selling. The local areas argue that often this is little different from the time when products and prices were imposed by central bureaucracy. Both National Networks and LCS have done deals directly with manufacturers which have caused considerable rows when it involved a significant product.

Iain Vallance, managing director of Local Communications Services, says there is a degree of creative tension between LCS and BTE: "The important thing is to make sure it remains creative and does not get silly. I think that the balance, after a running-in period, is fairly close so that we now have quite a strong input into the determination of BTE's product line."

Although it is the clear aim of the organisation to decentralise, there are certainly strong pressures to carry on making many decisions at the centre. Decisions deliberately being kept at the centre include capital investment, senior management appointments, government and public relations and major customer relations.

The tensions between the centre and the divisions are particularly apparent where there are central functions such as personnel and marketing which have company-wide responsibilities.

John King, a former IBM executive who joined BT last year as board member for marketing and corporate strategy, believes there are several particular activities which have to be performed centrally. These include the establishment of uniform incentive schemes and career paths for salesmen, the co-ordination of market research and intelligence and the form of customer contracts. "Putting no finer point on it I would say we are in a period of trying to adjust the balance between what is sensibly devolved and what is sensible to remain at the centre," he says.

The tension is more noticable in marketing as there was no central function until King was appointed. Sir George Jefferson says BT deliberately did not appoint a board member earlier because of the importance of persuading the divisional managers to develop their own marketing approach as a first priority in making the organisation more competitive.

Deryk Vander Weyer says the balance between the centre and the operating units is about right at the moment given the state of BT's accounting systems: "I think that as our information and accounting systems improve we will be able to go further down the line."

But the greatest test of BT's ability to change its management style will come in LCS, for most customers the key point of contact with the organisation. "It's fair to say that if LCS sneezes, BT catches a cold. So if we don't get LCS right, we don't get BT right," says Vallance, who at 40 is BT's youngest board member.

So far LCS has scarcely been touched. LCS consists of three tiers: headquarters, 10 regions (which were first established in the 1930s) and 61 local areas. "That structure is born and bred from monopoly," says Vallance. "It's a nice hierarchical bureaucratic type of structure, that has to be wound down."

The major reorganisation of LCS has yet to happen and there are signs that it is proving difficult to agree. The intention is to reduce the size of the headquarters, to abolish the intermediate tier of regions and reduce the number of local areas. In place of the regions LCS is dividing the country into five territories. "They won't be organisations in their own right, merely extensions of the headquarters placed in geographical locations. They will be very small, each with less than 50 staff," says Vallance.

The 61 areas are to be turned into 24 districts. This partly reflects the difficulty in recruiting enough general managers to run this sort of business. The new districts and the customer service areas beneath them will be computerised and they will be expected to build up their commercial muscles by recruiting sales, marketing and accountancy people. Vallance says: "A lot of the running of this organisation is actually very simple and straightforward. A lot of things that were lacking were straightforward bread and butter management."

It is far too early to judge whether BT is achieving a genuine cultural change. BT senior managers acknowledge the organisation is still in a considerable state of flux and there are considerable tensions.

Sir George Jefferson comments: "Clearly we are in a dynamic situation. I do not regard any organisation structure as being right for all time. We have to adapt to the changing environment and the market.

". . . I think the balance is not bad. My present feeling is that I have to keep the balance right between the great enthusiast who wants just to go off and do absolutely his own thing with no central oversight at all. And the other side who say 'oh golly, we must take this all back into the centre and keep control of it'."

Only four executive Board members were with the organisation in 1979, not eight as was stated in the leader page feature on Monday, the first in this series. The next article will be published on Friday.

THE ARTS

Television/Christopher Dunkley

Long live this British 'crisis'

A fascinating paradox characterises current British television: on the one hand there is a perpetual feeling of crisis within the business, almost of imminent doom, yet on the other hand it is clear from virtually any yardstick you care to use that television is one of the few areas in which Britain is outstandingly successful. In the past couple of years the sense of crisis has stemmed from various causes. First it was "the missing millions" and the shrinking number of hours that viewers were spending in front of the screen. Then it was the declared "failure" of Channel 4 immediately after its launch. Next came the threat from cable television, closely followed by the BBC's supposed capitulation to American commercial values with *Panorama* being replaced briefly by *The Thorn Birds*.

Now, with the BARB figures showing that viewers are watching a record amount of television (22 hours 19 minutes per week on average in the third week of September compared to 19½ hours last year and 18 hours the year before); with Channel 4, established as the most interesting in Britain and probably the most unusual in the world, often attracting six and even seven per cent of the weekly audience; and with the cable threat hull-down on the futures horizon and still receding, the neurotic folk of television are reduced to more esoteric anxieties.

Today they are worrying about what will happen to the purist public service traditions of the BBC if the corporation really does climb into bed with ITV in order to operate Direct Broadcasting by Satellite (though it looks less and less likely). Worse, they fear what will happen to British broadcasting if the BBC and ITV fail to get it together and the DBS baby is left to be fostered by Mr Murdoch or some unholy alliance in Luxembourg or Monaco. Many of them, and not only those in the BBC, are nervous about the Thatcher Government's attitude to the licence fee negotiations. And with renewed attempts in several places to hybrid-ise movies and television drama there is once again fear for the future of the cinema and the effect upon television if the movie supply dries up.

It might be said that all industries live in a pretty similar state of impending crisis if only we knew it; and that television just happens to be the one that I know. But after keeping a close eye on the

Tim Curry, Dermot Crowley and Debby Bishop in 'Blue Money'

business for 15 years it seems clear that although there have of course been previous alarms and excursions, today's permanent sense of foreboding is something new. Perhaps it has its roots in worries outside television—the miners' strike, massive unemployment, the lack of consensus in society—because it certainly does not seem to be justified by the record of British broadcasting in the area where it really counts: programme making.

It is true that the autumn season is supposed to be the highspot of the television year and that this year's lacks a certain something: the single brilliant series capable of lending a lustre to everything around it. There is no *Brideshead* nor *Life On Earth* no *Civilisation* or *Jewel In The Crown* to make autumn 84 a memorable season in years to come.

But if you look around the world at international measurements of achievement there is not another country whose television comes near to Britain's in its record of success. At the Prix Italia festival just held in Trieste David Leland's ITV play about a rebellious skinhead, *Made In Britain*, carried off the Prix for drama. This maintained Britain's unique record at the Italia, taking our total of prizes since 1948 to 26. The next most successful countries are Sweden and France with nine each.

Moreover the music category was won by *The Tragedy Of Carmen* which, although it was entered officially by Antenne 2 of France, was initiated by our own Channel 4. They would be justified in making at least some moral claim to the honours since they were the co-producers and only barred from entering the Italia on the grounds that they are part and parcel of ITV. France's three networks all enter separately.

If you look at this year's major North American programme festival in Banff you again find British television the most successful, winning major prizes for *Kennedy*, *Kick Up The Eighties* and *Rumpole*. Last month the Americans awarded Laurence Olivier an Emmy for his performance in Granada's *King Lear*, and so the list goes on.

What is more, returning to Britain after spending a fortnight at the Italia watching what other countries believe to be their best programmes, our own autumn season looks remarkably impressive even without a *Brideshead* or a *Civilisation*. Ironically the two most heavily promoted drama items—BBC2's *Dr Fischer Of Geneva* and ITV's *The Glory Boys*—were both seriously flawed. The Graham Greene adaptation, though marked by a magnificent farewell performance from James Mason in the title role, failed under the direction of Michael Lindsay-Hogg to live up to the standard of its set-piece dinner party scenes.

And although *The Glory Boys* had a few moments of impressively filmed fast action it was about an hour too long and too often laughably incredible: policemen gazed at the sky as gun-toting terrorists chased and attacked the building they were guarding, and an airport official nonchalantly gave a lift to the gunman to get him past a military cordon, camera and sound backing off into longshot to avoid the difficulty of explaining the terrorist's method of persuasion.

Yet even leaving those aside British television still offered more first rate drama than you could hope to find, judging from the international evidence, in one week in any other country in the world. On Thursday Channel 4 screened *Home Video*, a wickedly clever single play by Lesley Bruce in which the Staples family's "home video" prepared for son Alan in Australia ruthlessly yet impassibly revealed all the skeletons in the family cupboard.

On Sunday ITV produced *Blue Money*, an edgy comedy by Stewart Parker with delightfully zappy direction from Colin Bucksey, and Tim Curry (under-used by television) as the rock mime artist/mini cab driver who makes off with a suitcase full of hot fivers, pursued by everybody from the South American Mafia to Billy Connolly with a blow-up doll. Even though producers June Roberts and Jo Apted should have had the courage to take 20 minutes out of it and turn it into one of the slickest, tightest, fastest bits of television ever, it was nevertheless the best thing of its sort to come along since *Rock Follies*.

Then last night BBC1 showed the last part of its new adaptation of *The Invisible Man*, a story you might have thought had been done to death by cinema and television until you saw this production by Barry Letts in which James Andrew Hall's adaptation conveyed the real essence of Wells' story and Brian Lighthill's direction placed it firmly in its Victorian context.

Nor were the notable programmes all drama. BBC2's *Do They Mean Us?* is not only a bright idea—to show us how foreign correspondents report Britain to their home audiences—it is presented by former Fleet Street editor Derek Jameson who sounds like a shrewd barrow boy and has that uncanny knack of addressing a camera as though it was a crowd of old friends in a pub.

Commercial Breaks, also on BBC2, gave a fascinating (and, to those of us who work in Fleet Street, cautionary) glimpse of the personal and personnel techniques of Robert Maxwell. *River Journeys* brought beautiful pictures of the Nile and from Brian Thompson a thoughtful and literate script which would simply never reach the screen in most other countries; and the *South Bank Show* brought us "An Englishman at Home," an autobiographical sketch of Alan Bennett which was both funny and very sad. It was Bennett's play *An Englishman Abroad* about the extraordinary meeting in Moscow between actress Coral Browne and spy Guy Burgess which packed the viewing rooms in Trieste fuller than they had been for any other programme, and won the International Critics Prize for the best programme in the festival.

Having refused with the other British critics to vote in this award because there was no check on who watched what, and having happily seen the festival's General Assembly decide to abandon the critics' award after only a two year experiment, there was a certain paradoxical satisfaction in seeing the second and last such prize going to the right programme.

Long may the "crisis" in British television continue if it means work of this sort.

Fire-Eaters/Croydon Warehouse

Martin Hoyle

The fire-eaters of the title are redundant North Sea trawlermen fetched up on the Marseilles waterfront and downing cheap wine and meths as they stagger, demoralised and uprooted, through their tricks. Two English photographers converge on them: Jim, for one of his colour-supplement features on the world's suffering, and Donald for a background to the sumptuous fur coat modelled by his glamorous black assistant.

The two were once friends and rivals. Most of Act I is a flashback—not too sharply differentiated from the present in Pip Broughton's Warehouse production—to their college days in Blackpool, of all unlikely places. Shy, working-class Yorkshireman Jim loses posh Jemma to ruthless Donald. The latter's pursuit of objective truth—"detachment is everything"—leads him to use Jim's farm-labourer father, cancerous from pesticides but refusing to make trouble for the employers, as the starting-point of a hypothetical photo-journalism story for his photography course.

References to pirates and *Treasure Island* underline the apparent message that professional photographers, whether of battlefields or plastic strawberries gleaming with glycerine and cups of glossy black treacle standing in for coffee, are manipulative and immoral. The respected Jim, fresh from another harrowing Third World assignment, admits to perpetual fence-sitting and, with less excuse than anyone, moral evasiveness.

His rigorous ideals forgotten, Donald, the unloving marriage of convenience to Jemma almost destroyed, is warped with artistic insecurity and professional guilt.

The epilogue depicts the assistant from Donald's Chelsea studio, fur coat improbably replaced by battledress, helping a wounded Jim in some unnamed war-zone. Her uncertainty as to which direction to take sums up, I suppose, the unreality of the trade — emphasised by Tim Brierley's almost obtrusively unwounded cheerfulness as Jim.

Paul Copley's play needs a tighter pace and sharper definition (the opening scene in Chelsea ambled). Iain Mitchell's Donald switches from breezily smooth student to bloody-minded success without a convincing intermediate period—but then Mr Brierley's boyish McCullin-surrogate scarcely ages in 12 years. In her stage debut Amanda Pays (Jemma) displays an attractive presence and incomplete technique; Amanda Symonds's Maggie, the assistant, half-Irish, half-West Indian, wholly cockney, shows likeable spirit and attack. But the cast conceals the over-familiarity of neither the characters nor the arguments.

Treasures of Italy/Arezzo

William Weaver

Though its church of San Francesco houses the great frescoes of Piero della Francesca, though it boasts a splendid Etruscan Museum and a number of other collections and buildings, Arezzo is not a tourist city. It is really a business town. And one of its chief businesses is jewellery: most of the gold imported to Italy comes here, where it is fashioned into wedding rings, souvenir medals, award trophies, as well as necklaces and bracelets and brooches. The regular trade fairs—not open to the general public—attract exhibitors and buyers from every continent.

But at the most recent of these fairs, a few days ago, business and pleasure, or rather commerce and culture, were happily mixed. While shopkeepers and merchants flocked into the big Conference Centre, art lovers were able to inspect a very different display of gold and silver (and ivory and bone) objects in a small, wooden structure in the Center's compound, specially constructed for the occasion. The single, sealed room contained infinite riches: one hundred precious objects, almost all from the Museo Archeologico of Florence. This Arezzo exhibition was all the more welcome because the Florence museum has been partially closed for many years, and only a fraction of its vast collection has been visible. For most of the hundred objects this Arezzo show was a return to life.

The objects — necklaces, buckles, combs hairpins — are mostly small, and require close, intense inspection. Their designs are often Oriental in character, stylized patterns of palms and sphinxes, Greek keys interlocked, suggesting that, almost three thousand years ago, the peoples of the Italian peninsula had links with peoples to the East. The handsome catalogue, with dozens of illustrations (many in colour), presents the pieces in larger-than-life size, with scholarly—and occasionally pompous—descriptions. The publication, obviously intended for scholars, appeals also to the laymen; it could easily inspire some of the modern jewellery that will be shown in Arezzo in the next few annual shows at the Centro.

In planning the exhibition, the Arezzo authorities were bearing in mind also the fact that 1985 has been designated as the "Year of the Etruscans," and this show is actually the first in a series. Florence will mount a general, panoramic "Civilisation of the Etruscans," some time next year. Volterra—and then Chiusi—will present "Etruscan crafts"; Siena, "The Palaces," Arezzo (again), "The Sanctuaries of Etruria"; Cortona, "The dicovery of the Etruscans;" and the Portoferraio area will sponsor a show devoted to the Etruscans as miners. In Florence, too, there will be an exhibition about the "fortunes" of the Etruscans, which will be an examination of the influence of the legend of this mysterious nation on modern culture.

The Year of the Etruscans has not yet begun, but already it has borne fruit. The authorities recently announced that, in the course of 1985, the Museo Archeologico of Florence will be completely restructured, and its invaluable—and virtually invisible—hoard will be on view in a logical and appealing installation.

On Your Toes

Galina Panova has taken over the role of the Russian ballerina in On Your Toes (at the Palace) for most performances (Doreen Wells appears twice a week). Panova looks and sounds right on target but her dancing lacks some of the élan of Natalia Makarova. Tim Flavin has grown in confidence and is now a good match for Panova, in particular in the "Slaughter on Tenth Avenue" finale, (pictured here) so much better than the unhappy cod ballet which ends the first half.

But then the whole show divides unequally into two, a dull and twdry experience until the interval, under-cast and hardly of West End standard. Later, primed by the "On Your Toes" sequence, the performances take off and suggest what might have been.

Saleroom

A Royal Marcolini Miessen chocolate and coffee service, produced between 1775-80 and still in its original case, was sold at Sotheby's yesterday for £82,500, over twice its estimate. It was from the estate of the late King Umberto II of Italy who died last year and had been in his family from the start.

Tannhäuser/Covent Garden

David Murray

The Royal Opera's dull new *Tannhäuser* has acquired a new leading tenor; it doesn't seem to make much difference. Probably no vision of the opera could survive Kenneth MacMillan's Venusberg dances at the start, textbook sexual figures executed by cold-blooded lizards, and Eva Randova's strident Venus doesn't raise the temperature by a single degree. What sort of wandering minstrel could possibly be tempted by this louche ménage?—especially since his hometown girl Elisabeth, in the person of Gwyneth Jones, proves to be all appealing warmth?

The new Tannhäuser, Spas Wenkoff, has his own solution to the riddle, which is to wear—throughout Act 1, and on all subsequent occasions when impure thoughts assail him—the fixed grin of an axe-murderer. This is not a good solution, though it is quite interesting. Closing one's eyes (instinctively), one discovered that Wenkoff's tenor has a good virile bite in the middle register, turns grey lower down and is inclined to cautious lunges at the top. During the first two acts one supposed him to be saving himself for the Rome narration at the end, like many a distinguished Tannhäuser before him, but no; the voice simply failed to open, and none of the high points thrilled. It is a sturdy performance, of some intelligence, and other nights may go better.

Besides Miss Jones, Thomas Allen lent cultivated life to the charade with his Wolfram, though his timbre was not ideally broad nor lustrous. Horst Laubenthal's Walther was excellent in ensembles, not very striking in his contest song. The conductor Colin Davis, like the producer Elijah Moshinsky, seemed to despair of making anything of Act 1; the orchestra became palpably more alert with Elisabeth's arrival, but Davis bustled through the familiar processional music at the expense of its period pomp and flair.

Serkin/Barbican Hall

Max Loppert

The cycle of Mozart piano concertos on which Rudolf Serkin, Claudio Abbado, and the London Symphony are engaged, both in the concert hall and on record, has numbered some disappointing episodes during its slow progress—performances that made one unwillingly wonder whether the Serkin mastery had at last been dimmed by time and old age. Monday's account of the E flat concerto, K482, was emphatically not one of them; it could hardly have been better chosen, indeed, to restore faith in the pianist's greatness, and in his quite special qualities as a Mozartian.

There are many ways of playing the E flat, that "queen" among the mature Mozart concertos, as Girdlestone called it. Lively, high-keyed responses—to the E flat buoyancy of the outer movements, to the C minor anguish of the central Andante—are more common than Serkin's way, which appeared to prescribe Olympian calm throughout. "Appeared," because the tempos for all three movements were each on the relatively slow side, allowing the pianist to spread out his phrases and his thoughts (and, in the slow movement, those of the wind consort) at leisure.

But, in fact, the thrill of this performance was derived above all from the myriad subtle differentiations of mood, style, and declamation beneath the sustainment of an Olympian facade. One hangs on every note that Serkin sounds; his ability to make beautiful surprises of the simplest interrupted or whole cadence, to conceive of and then render the music in phrases that lead on unbroken to others and to whole paragraphs, is on this showing undiminished. And the Serkin sound, that strong, full-bottomed, uniquely decisive piano sonority, remains untarnished, a sound that can be turned to the most radiantly simple lyricism while always retaining its intimations of grand (but never pompous) seriousness. On this occasion there was less singing, and less heel-kicking, than usual—not that one would have minded more of either.

Abbado and the LSO provided willing, responsive accompaniments; ideally, a pianist of Serkin's calibre deserves orchestral playing that is no less decisive in mastery, but at least the musicians were ready to follow the suggestions of the piano solo. Things had been rather less happy—scrappy, tense, and tightly straitjacketed, all at once—in the opening *Fair Melusine* Overture, a Mendelssohn performance of a kind to deter this Mendelssohnian from staying for the Italian Symphony after the interval.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Oct 5–11

Theatre

NEW YORK

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organization has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

Quilters (Jack Lawrence): Based on American pioneer women's descriptions of their work in making quilt blankets, Molly Newman and Barbara Damashek's musical arrives in New York remounted from its modest origins in Denver. (307 5452).

LONDON

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

West Side Story (Her Majesty's): Classic musical returns to its original London home with a fresh young cast of good singers and dancers. The thrills and spills of Bernstein's score and the Robbins choreography remain breathtakingly intact. (930 6606).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic with Makarova lifting her heels behind her ears and finding a brilliant opposite number in Tim Flavin. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

WASHINGTON

Master Class (Eisenhower): David Pownall's thoughts on tyranny and artistic freedom as filtered through the gauze of Stalinist Russia starts its American run at the Kennedy Center. Ends Oct 20. (254 3670).

Zorba (Opera House): Anthony Quinn makes the theatrical production, which co-stars Lila Kordova and gets a rousing lift from the bouzouki score by John Kander and Fred Ebb, directed by the film's director, Michael Cacoyannis. Ends Oct 14. Kennedy Center (254 3770).

King Lear (Folger): The 15th anniversary of the replica Globe company starts off ambitiously. Ends Nov 4. (546 4000).

CHICAGO

Candide (Goodman): The first musical produced at the Goodman since 1978 brings Wheeler's version of Voltaire with the music of Leonard Bernstein and the lyrics of Stephen Sondheim, John Latouche and Richard Wilber. Ends Oct 28. (443 3810).

Baby With The Bathwater (Remains): Christopher Durang's comedy of the contemporary American family leans to the zany in the local premiere directed by Donald Moffett. Goodman Studio. Ends Oct 21. (443 3800).

Stage Struck (Steppenwolf): American premiere of Simon Gray's murder mystery about a stage manager who takes revenge on his actress wife and his psychiatrist. Ends Nov 4. (472 4141).

The Fifth Sun (Victory Gardens): Nicholas Patricca's new topical drama uses masks and ritual dances to explore the 1980 death of El Salvador archbishop Oscar Arnulfo Romero. Ends Oct 28. (871 3000).

TOKYO

The Cherry Orchard (Imperial Theatre): Chekhov's masterpiece in Japan, directed by RSC's Clifford Williams 'in residence' since August. The Toho Company. (213 7221).

Cats (Cats Theatre). Approaching its first birthday and therefore Japan's longest-running (consecutive) play, this Japanese version is worth seeing. Excellent set, good dancing, Kabuki-derived movement. Shiki company directed by Keita Asari (320 1001).

The Nerd/Aldwych

Michael Coveney

I reckon that you will find The Nerd either very funny indeed or not funny at all. I found it very funny indeed. Rowan Atkinson is the eponymous hero, a dismally unfortunate chalk inspector from the American Mid West who arrives in the house of an architect to take up a standing offer of hospitality. In Vietnam, he saved Willum's life. He arrives on Willum's birthday and stays for a week.

This Nerd who comes to dinner is a particular American type, according to the author Larry Shue. "There are no English Nerds" he proclaims confidently in the programme. I am not so sure, although I am prepared to admit that a Berk, a Herbert or even the more recent Wally is not quite the Nerd-like equivalent of Mr Atkinson's Rick Steadman.

Rick is a rubbery lipped squeaky-voiced specimen in half-framed spectacles (sticking plaster on the stems, natch) who enters as a green monster and proceeds to congratulate the other guests—a businessman and his teacher wife—on their fancy dress. This couple have a destructive son who is frightened out of his wits by the infantile behaviour of the adults, especially of Rick.

Rick is the perennial social burr, the unselfconscious public bore who greets every expression of hostility and resentment with a cheerfully accommodating grin and a brilliant suggestion for prolonging the agony. He takes over an after dinner charades game and replaces it with a loony party piece of removing socks and shoes and placing large paper bags on heads.

In such sequences, Mike Ockrent's production is blissfully ludicrous. Mr Atkinson, a madcap master of the revels, poking the businessman's eye, dropping the bag of socks into a slimy trash can outside, reducing the others to his own stupid level.

Underpinning these antics are various ulterior motives: Willum's girlfriend (Mary Maddox) wants to take her man with her to Washington; Willum (Michael J. Jackson) needs the businessman's hotel contracts; and Willum's best friend, Axel the drama critic—certainly not a Nerd—has an altogether more subtle plot on the boil.

Rick just wants to stay put and, after the interval, the indoor washing line is up. Inevitably, a wet sock is squeezed over Willum's drawing board (lot of blue dye in that sock). Rick is ensconced in a sleeping bag on the sofa, practicising a truly Nerd-like version of "Hey Mr Tambourine Man" with sheet music *and* tambourine.

Mr Atkinson uses his revue timing and natural oddity to suggest a strange, slimey, almost amphibian creature cursed with the sort of physical sloppiness that brings him back from the toilet with half a lavatory roll hanging like a tail from his trousers or finds him casually smelling his armpits and socks in a crowded room (was it Jonathan Miller who said you only did this sort of thing in the privacy of your own railway compartment?).

The Nerd expulsion plan involves a ritual dinner where, for the main course, the guests are required to watch an apple core turn brown. By now the Nerd has a bit of white shirt peeping through his flies and has had printed 20,000 cards announcing his new partnership with Willum. The pagan dessert culminates, of course, in the Nerd leading the company in a silly war dance, a jumping conga of folk hitting their own heads.

Harry Ditson is sharp and witty (what else?) as the drama critic and Bridget Turner's teacher has a moment of glory when she patiently explains to the Nerd that she works with slow learners. "Who could *they* possibly be?" Rick seems to be saying as he points his inquisitive nose and rapacious upper lip in the direction of the next sucker, the next meal.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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The Democrats in disarray

MR WALTER MONDALE did well, but not quite well enough. If, as seems likely, Sunday's debate on American television does mark the beginning of the Democrats' revival from the nadir of their fortunes, but if that revival is nothing like strong enough over the next month to wipe out President Reagan's lead, then Mr Mondale's quality as a candidate will be reassessed. The verdict is likely to be that, even if Mr Mondale's voice could have a more confident ring, the Democratic party's difficulties are not caused by their candidate's personality. On the contrary, he has fought bravely, and with no luck at all, to overcome deficiencies in the party.

Nor is the party's decline to be explained only in terms of the old Democratic coalition having fallen apart in demographic or ethnic terms, or by the *embourgeoisement* of former blue-collar Democrats. Not even the now-fashionable talk of a "political economy cycle—the latest jargon for Buggin's turn—satisfactorily accounts for the Democrats' disarray.

The fact is that the Democrats are disunited. They are in danger of losing not only their chances of recapturing the presidency, but also a substantial number of seats in both houses of Congress, because they have lost confidence in their own philosophy. Specifically, they are no longer sure they believe in one of the central tenets that united them under Presidents Roosevelt, Truman, Kennedy and Johnson; their faith in the efficacy of government intervention both to stimulate the performance of the economy, and to distribute its product equitably.

Fairness

The Democrats, Mr Mondale said on Sunday night, believe in fairness. The trouble is that they are no longer quite so sure as they were how to go about creating a fairer society. Mr Mondale was asked specifically what the role of the federal government ought to be in dealing with the economy and with what he has called "the fairness issue." His reply was noticeably equivocal. The federal government must work with cities, with minority leaders, with business. All sensible enough stuff, but hardly delivered as Lyndon Johnson would have done in 1964. Once the Democrats believed that the federal government could build model cities and a Great Society. Now they are much less certain.

Nor are they alone. It is impossible not to be struck by the parallels between the shift in intellectual fashion that underlies the Democrats' decline in America, and what has been happening in Europe. We are all floundering in economic difficulties whose scope and scale seem beyond the scope even of national governments: unemployment in Europe, the deficit in the United States, debt, protectionism and sluggish growth everywhere, even if the United States, perhaps temporarily, is an island of more vigorous expansion.

Both in Europe and the U.S. the conservatives have shaken the belief that governments alone can successfully attack economic problems. Mr Mondale's strangely half-hearted attack on President Reagan on Sunday showed that. So does the tentative nature of the criticism, by Opposition and Tory wets alike, of Mrs Thatcher's failure to put the unemployed back to work.

Intellectual gap

Yet on the right of the political spectrum there is at least a coherent economic philosophy, one that puts much stress on removing rigidities in labour and product markets, on promoting competition and on correcting distortions in the tax and social security systems. Sceptics may argue that these prescriptions are a necessary, not a sufficient, condition for economic revival; the riposte is that they have not yet been put fully into effect.

The intellectual gap is on the other side. In Britain, the rump of the Labour Party has fallen back on the policies of desperation: "real socialism," renationalisation, the siege economy. In the United States, tradition deprives even the most radical Democrats of the comfort of such irrelevance. Somehow, painfully, but in a spirit of pragmatism, the Democrats and the spiritual cousins in Opposition in Britain must find solutions to replace their traditional faith in government if they are to become a credible alternative once more to the tradition that has kept Mrs Thatcher, and still looks like keeping President Reagan, in power.

Shifting to a higher gear

IN THE past five years, many British companies, in the words of Mr David Walker, a senior Bank of England official, have "distinguished themselves as cost-cutters." The rewards are plain to see: big cutbacks of plant and labour have led to a steady rise in real returns on capital from 6 per cent in 1980 to 9 per cent in 1983. The company sector has accumulated progressively larger financial surpluses—rising to £7.9bn last year.

All this, coupled with productivity gains, sounds highly encouraging. It might seem that British industry has finally got its act together. Yet all is not well: in spite of improving finances, the total production of British industry is still some 3 to 4 per cent below the average level in 1979 and there has been a big expansion of North Sea oil since then. The Bank, if Mr Walker's recent musings are any guide, is beginning to worry that UK companies have become too cautious, although the criticism is expressed in such traditionally *sotto voce* tones that it may have passed almost unheard.

The fear is that the cost-cutting rhetoric, which played such a useful role during the recession may now be counter-productive. The time may have come to talk more of the need for expansion. Austerity, after all, is not sufficient in itself to guarantee future prosperity. Companies which no longer need to worry about keeping the receiver at bay appear slow to exploit better times. It would be a false economy, for example, to maintain for too long a tight *squeeze on R & D expenditure* that could stunt the development of new product lines.

Lack of confidence

Mr Walker detects a worrying lack of the confidence that is needed to pursue sensible long-term strategies which impose high costs in the short-term. While more intense technological competition increases the danger of ignoring the long-term outlook, there appears to be an increased tendency of companies to focus on *the short-term. This may be a* legacy of high and volatile inflation yet, as this distortion fades away, another apparently stands ready to replace it. The restructuring of UK securities markets—which will reduce transactions costs on share dealing—could again encourage shorter-term horizons.

The worry is that when the big players on stock markets—the institutional fund managers—become increasingly obsessed with *their standing in short-*term performance league tables, it is hard for boards of directors not to be affected. The fear of hostile takeover means that the short-term performance of the company's share price cannot be ignored. *Managers* are pushed into steps to maximise short-run profits and dividends: long-term strategic thinking takes a back seat.

Strategies

Already, the ability of British fund managers to invest wisely is judged over a time-horizon quite incommensurate with the long-term nature of trustees' liabilities. There is a real danger that even shorter horizons will be encouraged if the Square Mile increasingly begins to ape Wall Street, where the churning of portfolios is a bigger problem. In 1983, for example, 60 per cent of the shares quoted on Wall Street changed hands; the comparable figure for turnover in London was 16 per cent.

Worries about the impact on companies of structural change in the City are certainly not misplaced and the Bank should monitor developments closely. But it is possible that the nature of capital markets is less of an influence on corporate decision-making than is sometimes imagined. The real challenge now facing British industry is to move forward from a prolonged period of cost-cutting and capacity-trimming and to develop imaginative long-term strategies for growth. Whether this challenge is met will depend much more upon the willingness of entrepreneurs to take risks and innovate than on the nature of financial markets.

European leaders gathered at Fontainebleau, where the "Relaunch of Europe" was heralded

EEC finances

Still struggling on, despite the high hopes of June

By Quentin Peel in Strasbourg

THE "Relaunch of Europe" so grandly heralded at the EEC's Fontainebleau summit last June is turning out to be a messy and far from stately lurching down the slipway.

The combined forces of the Community's foreign, finance and farm ministers met in Luxembourg last week, charged with resolving a range of vital issues which have bogged down the Community for the past months and years and embittered relations between members.

Their remit was, in effect, to tie up the loose ends left over from the much-vaunted political compromise reached at Fontainebleau package will term reduction in Britain's budget contribution with budget discipline, and an increase in EEC finances with enlargement of the Community.

On paper they achieved remarkably little.

So what has happened to the high hopes of June? Is there a danger that the precarious Fontainebleau package will somehow become unravelled over technical detail?

Inevitably, the primary concern in Luxembourg was the budget: how to control it, how to finance it, and immediately how to find the cash to prevent imminent bankruptcy. A close second came the far-reaching negotiations to finalise the terms for Spain and Portugal to join the Community, supposedly by January 1 1986. hTird priority, but one related intimately both to the budget crisis and to enlargement, was the question of how to drain the ever-increasing wine lake. A way had to be found of controlling the surplus production of low-quality table wine, which could be increased hugely beyond the present 3bn litres once Spain joins the Common Agricultural Policy, putting a further impossible burden on limited resources.

The ministers did succeed in cobbling together a short-term deal to tide themselves through the immediate financial crisis. But they failed to finalise the terms of how long-term budget discipline will be enforced. Nor could they agree on when to increase their own contributions to the common budget, to prevent the Community staggering on from one cash crisis to another.

As for the enlargement talks, they only managed to agree on one tiny part of their overall negotiating brief—how much cane sugar Portugal will be allowed to import from its traditional suppliers after its accession. The farm ministers thrashed over ways and means of limiting wine production without any conclusion, unable to resolve the fundamental differences between Italy and France.

M. Jean-Pierre Cot, the French Socialist chairman of the budget committee of the European Parliament, described the outcome of Luxembourg as both "a relief, and a grave disappointment."

It was a relief, he said, because the ministers had at least staved off the threat of imminent bankruptcy by approving a supplementary budget for the rest of 1984, and providing extra funds to the tune of Ecu 1bn (£600m). That required Britain to lift its embargo on the necessary inter-governmental agreement, which was imposed in order to ensure that budget discipline and future finance would be agreed at the same time.

It was, nonetheless, a severe disappointment, M. Cot declared, because the whole deal smacked of the politics of expediency once more. Budget discipline and future financing were not finalised, and Sir Geoffrey Howe, the British Foreign Secretary, insisted that he would withhold the extra British cash required until they were.

However, yesterday's decision by M Cot's committee to release the 1983 UK rebate means that one of *Sir Geoffrey's preconditions* has been met.

Perhaps more seriously, from parliament's point of view, the 1984 supplementary and the full 1985 budget still fail to cover the committed spending of the Community, leaving a gap of possibly more than Ecu 3bn for which finance has yet to be found. The deal did little more than paper over the cracks.

The thoughts of senior European *Commission officials* in Brussels are more cynical.

"After some three months of agonising, intensive discussion and exploration of endless different formulae, the Council has taken the decisions it could *just as well have taken on* July 1," according to one budget specialist. "The UK has obtained the addition of one sentence to the declaration attached to the 1985 budget, promising to find the money to finance its reduction in budget contributions.

"There is no agreement on budget discipline, and no agreement on how the extra 1985 money will be provided. It is an extraordinary way of wasting three months' diplomacy."

However, the achievements of Luxembourg, on the budget front at least, may be more real than apparent, although their implications may not be quite what was intended. The most *significant progress, for the* long-range development of the Community, was that made by the finance ministers towards an agreement on budgetary discipline.

The inspiration behind this attempt to control the hitherto inexorable growth in EEC spending has always been two-fold. On the one hand, all 10 member states recognise that resources are finite, and the system of deciding on policies first and arranging how to raise the cash later, is a recipe for bankruptcy. The new system would therefore set a financial framework first, and determine expenditure later.

The British argument has gone much further, pointing to *agriculture as the prime offender,* and seeking therefore to put special restrictions on the growth of farm spending, in order to effect a permanent switch in resources to other Community policies, such as regional, social and industrial spending.

The finance ministers went a long way towards reaching agreement on how a system of spending controls might be imposed, although the document they approved still faces serious reservations by both France and Denmark. But, in reaching a compromise, the aim of directing the whole EEC budget away from the Common Agricultural Policy (CAP) has become *significantly diluted.*

The deal provides for the guideline for farm spending to be set each year to ensure that the rate of growth is lower than the rate of growth of EEC revenues. That does not necessarily mean *that it will take a* declining share of the budget, unless all the available revenue is used up.

Moreover, the ministers agreed that the rest of the budget, including such policies *as the regional fund, and pro*moting research in high technology fields, should also be restricted to a rate of growth not above what is known as the "maximum rate." That is based on a formula reflecting partly the EEC-wide rate of inflation, and partly the overall rate of growth of public spending. Although in the past the maximum rate has increased significantly faster than the growth of Community revenues—so-called "own resources"—the current restraint in government spending throughout the EEC makes it unlikely to do so in the foreseeable future.

So, far from enabling a switch of resources out of agriculture, the budget discipline deal threatens to freeze the current proportions of Community spending roughly where they are, even if it is watered down a little further to accommodate France and Denmark.

That part of the package is also threatening to cause a further confrontation between the Council of Ministers and the European Parliament, because it could cut across the one area over which MEPs have genuine *responsibility.* M. Cot and his colleagues, who meet in Strasbourg this week, believe the council is exceeding its powers in unilaterally fixing what amounts to a spending ceiling without consulting the Parliament.

The MEP's anger has been compounded by what they regard as a "nonsense" budget submitted for 1985 by the Ministers, because it leaves at least Ecu 2.3bn unfinanced. The gap—consisting of excess farm spending and Britain's promised budget rebate for 1984—could even top Ecu 3bn if deferred spending from 1984 and a likely shortfall in revenue this year is included.

In Strasbourg yesterday, members of the budget committee were discussing the possibility of rejecting the entire 1985 budget—the most drastic power they have. The Ministers' failure to fix adequate finance for 1985 was a direct consequence of their inability to agree on bringing forward increased contributions to the Community budget.

It is West Germany which has insisted that no increase in contributions can be made until Spain and Portugal join the Community, because only then will the responsibilities of the European Commission be enlarged to justify it. Britain wants the extra money to be paid next year, so that there will be enough cash available to allow British contributions to be reduced by the Ecu 1bn rebate promised for 1984.

Although Bonn is somewhat isolated on the issue—it has the rather lukewarm backing of the Netherlands—the German Government has also stolen Mrs Thatcher's clothes by claiming to be the true upholder of the community spirit. Indeed, German officials maintain that if they relaxed their position, the negotiations with Spain and Portugal would lose what little momentum they still have, to enable *enlargement to take palce* on January 1, 1986.

If it were not for that link between enlargement and increased revenues for the Community—to come from raising the so-called VAT ceiling from 1 to 1.4 per cent—there must be real doubt whether the talks would not be dragged out indefinitely.

Although all 10 member states pay lip-service to the political desirability of including Spain and Portugal, arguments are few and far between on the economic logic of the move.

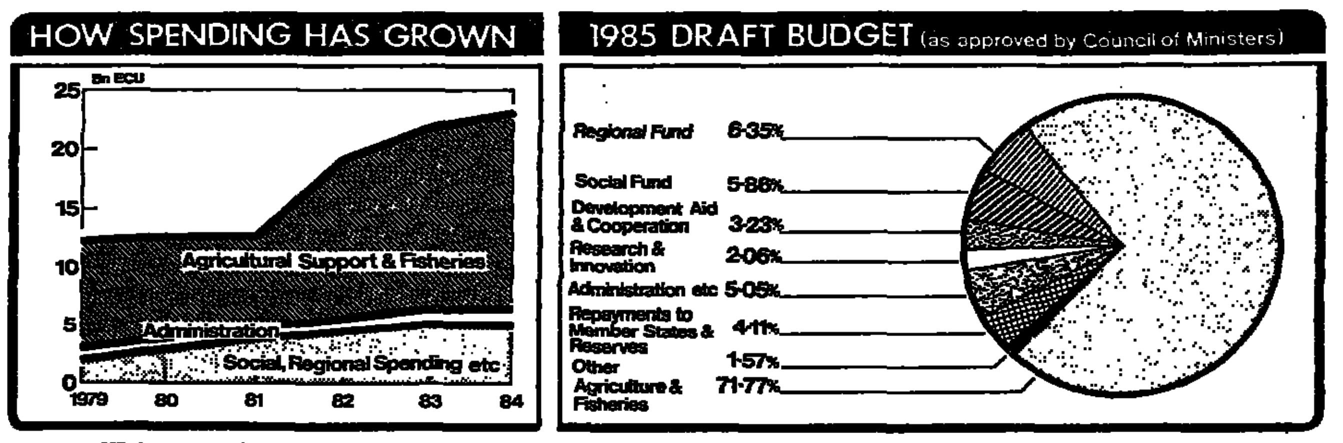
The talks are bogged down on relatively straightforward issues such as the transition periods for phasing out protective tariffs on industrial goods (by Spain) and on Spanish agricultural exports (by the EEC). The real problem areas concern Italy's resistance to control over the certain excess production of wine and olive oil and the incorporation of the huge Spanish fishing fleet in EEC waters.

The Fontainbleau summit was unashamedly unrealistic when it instructed the Council of Ministers to complete their negotiations with Spain and Portugal by the end of September. It was already clear in June that the deadline was unattainable.

The combinoaion of Bonn's financia arm-lock and the political incentives to oring Spain and Portugal into a wider Europe should ensure that progress is made eventually, although EEC traditions dictate that it will be later rather than sooner.

Britain's agreement on a budget deal for 1984 and 1985 was based on trust that West Germany will enable the British budget rebate to be paid in full during 1985, if necessary by bringing forward the increased VAT ceiling, but only once enlargement has been universally ratified.

But the danger, indeed the likelihood, of the Community continuing to limp from one financial crisis to another remains. The increased contributions are likely to be rapidly consumed by the 12 member Community. By 1988, a further increase in contributions will be necessary, and the whole question of Britain's budget rebates will be up for renogiation. The path of Europe's relaunch remains littered with future obstacles.



The 1985 budget breakdown does not include provision for a further Ecu 1.315bn in agricultural spending and an Ecu 1bn reduction in UK contributions, for which finance has yet to be found.

Men and Matters

Day in a doctor's life

A busy day for company doctor Ronnie Aitken yesterday. Proving that a career as a corporate sawbones can be just as hectic as 24 hours in the life of a casualty houseman Aitken suspended a senior executive in one of his companies, joined yet another board, and finally witnessed the disposal of shares by another of the list of companies with which he is involved.

It sounds complicated? Well, this is how it went. Aitken has recently joined the board of Espley Trust, a Birmingham building company founded and, until last month, headed by Ron Shuck, the property developer.

Shuck has been formally moved out of ET—but he has promptly riposted by making a bid for the company himself. A degree of post-operative reaction seems certain in this case.

The next patient for Aitken's bedside manner was the camping and leisure products group, Campari, which looks in need of a substantial profits transfusion.

Finally, Aitken found himself in the consulting room with Mandarin Resources, a Far Eastern investment company where he is deputy chairman. Mandarin has sold a big chunk of stock in Bluemel, the bicycle maker, which has learned to pedal vigorously under Aitken's ministrations.

"Bluemel is one of my favourite babies," says Aitken. But he is not quite sure, nevertheless, where the shares have gone to, or at what price.

Steel appeal

Bob Haslam, the normally genial chairman of the British Steel Corporation, has had some anxious moments during the International Iron and Steel Institute annual conference in Chicago this week.

The steel industry may be in deep trouble in many countries, but top executives attending their annual summit expect, and usually get, lavish hospitality.

In Chicago, their American hosts have pulled out the stops. One night they dined in the spectacular hall of the Field Museum of Natural History with a dinosaur skeleton looking down upon them.

Next day they were taken to a Chicago concert conducted by Sir George Solti, followed by a champagne supper.

Haslam's problem is that next year the steel barons descend upon London, and the cash-strapped BSC will be responsible for the arrangements.

"How can we top this?" he asked during the Chicago festivities.

Perhaps a trip to Scunthorpe . . .

"Always sell thousands when the Tory conference is on—comical clerical collars aren't going *too* well, though"

Identity risk

While ICL waits patiently to be renamed Standard Telephone International Computers — or something like that — it should be thankful for perils avoided.

Apparently STC thought of the data communications firm IAL, and then ICL, I learn from Computer News.

But when top advisers put the initials together the best they could come up with was Slac and Ticl.

Boesky's share

The appearance of Ivan Boesky's name on a shareholders' roll is a sure sign, if you did not know it already, that the company has become a "special situation"—in other words, it is liable to be taken over.

Boesky, aged 47, is one of the most powerful arbitrageurs in the U.S., having developed the art from the days when arbitrage was a virtually unknown activity on Wall Street. He regularly reaps handsome profits from takeovers by identifying them before they occur, or by trading on them after the first shots have been fired. Quite often, his muscle is used to influence the outcome.

Boesky's latest activities, however, have been causing a stir in the City of London. Since 1982, he has used a once-sleepy investment trust, Cambrian & General Securities, as one of the vehicles for his U.S. dealings—attracted by the exemption of UK investment trusts from tax on internal capital gains.

Cambrian has shown phenomenal growth, and its shares have been trading far above the typical 25 per cent discount from asset value.

Clearly on to a good thing, Cambrian yesterday sought £20m through a rights issue to fuel further growth, with Boesky and his family putting up over £5m for their full entitlement.

Cambrian has also intervened in another investment trust, Anglo-Scottish, which is due for reconstruction next week. Boesky, with a newly-acquired 15 per cent stake, may have other ideas—but predictions would be rash.

The signs are, though, that more British company chairmen may find themselves waking up to the news that Boesky has taken an interest in their future.

So far, the only significant UK takeover in which he has taken a hand was the purchase of Eagle Star by BAT Industries. But the rash of bid activity in London this year is said to have caught his interest.

Pie maker

Victorian technology, it seems, can still hold its own among the computer - controlled robotics invading the engineering industry.

The Bolton company, John Hunt, has just installed computerised machinery, in fact, to help its 40 workers cope with the increased production of its Victorian model pie-maker.

The hand-operated pie-maker, called Little Champion, has been little modified since the turn of the century. "But it's having a second childhood," says Spencer Cheetham, sales director and member of the family which bought the company 60 years ago.

Cheetham puts the surge in sales of the machine down to butchers trying to compete with supermarkets; and to the cost of school meals which has forced some schools to seek alternatives to meat and two veg. More than 100 of the machines, selling at £325 each, have been put into Lancashire schools in the past two years

Observer

BRITISH RAIL

Tough haul on a tighter track

By Hazel Duffy

BRITISH RAIL has come a long way since 1982, when the whole future of the rail system was overshadowed by a series of strikes. At last it is coming to grips with its costs, both by cutting manpower and by using its rolling stock more intensively, and is on the way to becoming a model of how to run a railway in the face of shrinking financial support from a reluctant Government.

But it faces four main problems: a continuing fight with the unions over productivity and service cuts; doubts about how much more progress it can make in the face of Government determination to cut its subsidies; and loss—some of it permanent—to road transport of an estimated £150m in freight business as a result of the miners' strike; and ever increasing competition, particularly from the new generation of high-speed luxury coaches.

Two years ago, BR had few friends. It had won the battle over flexible rostering, but had to get back the confidence of freight customers—and passengers—in the railways network. The Government, meanwhile, was promising to tighten the purse strings, and refusing to approve most new investment until it could be convinced that BR would deliver on productivity.

Now, although the miners' strike has cast a deep shadow over the freight business, the basic position is a good deal brighter.

● In July, the Government approved BR's plans to electrify the London to Edinburgh east coast mainline at a cost of £306m. BR had awaited the go-ahead for years. Permission makes it possible for decisions to be made on new locomotives and rolling stock throughout the system that will take it into the next decade.

● BR's workforce, now 183,500, is being reduced, in line with plans to cut back to 175,000 by 1986. Much of this has been at the white collar level, where re-organisation into regions and areas—the divisions in between have been scrapped—is well under way. By the end of this year, the 30,000 administrative staff will have been cut by 25 per cent.

● The division of BR into five business sectors two to three years ago is beginning to pay dividends. The directors of the sectors—Inter-City, London & South-East, freight, parcels, and provincial services—now have direct responsibility for revenue and costs. It is the first time that these have been brought together below board level, at the insistence of Mr Bob Reid, BR's chairman for just over a year.

● BR's cheap fares promotions are helping to win back leisure passengers. BR is well ahead of its European rail colleagues in the flexibility with which it can change fares according to market demands and recently switched its advertising account to three agencies which will concentrate on more specific sector advertising. It wanted to do this in 1982, but was held back by the rail strikes.

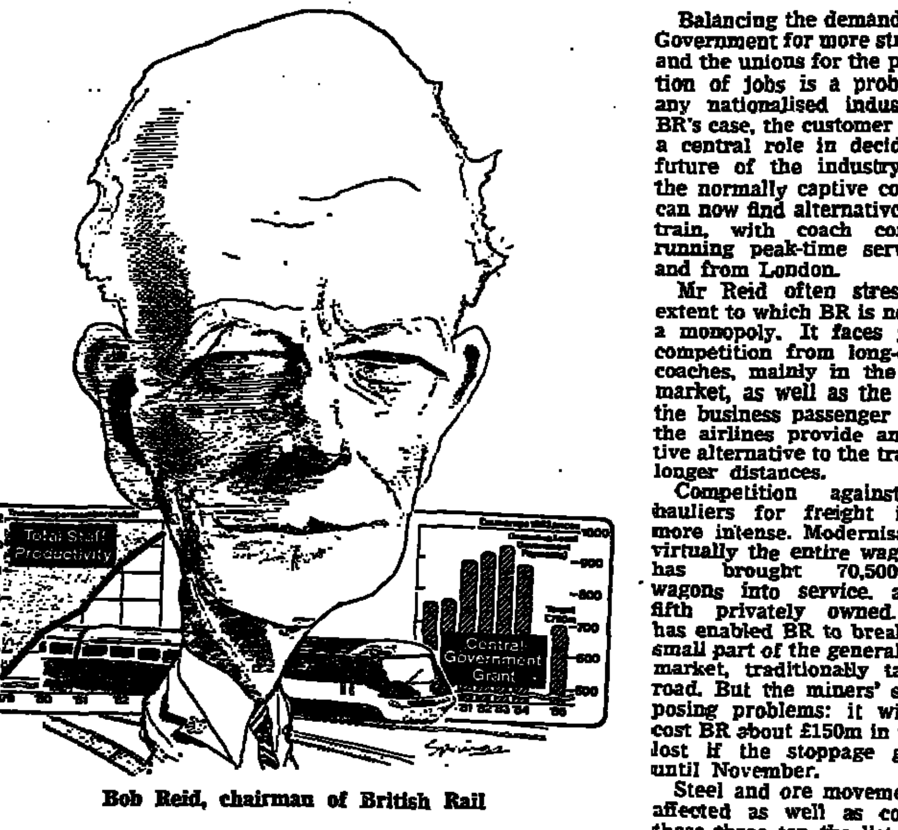
Many of the plans now being implemented were formulated during the seven years Sir Peter Parker was chairman, but he faced strong opposition in a different political climate from the rail unions on issues such as flexible rostering, one-man operation of new commuter trains and lower manning on freight trains. The 1982 strikes forced union agreements on some of these changes, but there is still a long way to go on productivity.

In contrast to the flamboyant style of his predecessor, Mr Reid, 64, favours a low public profile. He has spent all his working life in BR, which has given him an exhaustive knowledge of how this complex business works.

Instead of trying to convert an unsympathetic Government and weary civil servants to BRs pressing needs for more investment, Mr Reid has tried to get ministers on his side by agreeing to a three-year reduction in the PSO (public service obligation), which is the total grant given by the Government.

All this progress, however, has not registered with all rail users. Take the commuter on Southern Region. Since the introduction of the new timetable last May, services in the south eastern and central parts of the region have declined. It is not only that there are fewer trains; there are more stopping services and the trains themselves are often shorter, which has led to complaints about overcrowding.

Some big changes to the timetable drawn up in May have just been introduced on Southern Region confirming that SR did not get it right at the start. Mr Len Dumelow, of the Central Transport Consultative Committee, the official passenger watchdog, says: "I believe these reductions in the quality of service were the first signs that BR's new tighter financial targets are beginning to affect the passenger."



Bob Reid, chairman of British Rail

The basic question facing BR is whether it can maintain its progress when Government financial support for it will fall below £900m this year, reversing the upward trend in the PSO since 1979. By 1986, the PSO plus local government payments for railway services will be down to £700m (PSO—£635m).

BR originally planned to live within the £700m target by 1988 but Mr Reid agreed this tougher objective with Mr Nicholas Ridley, Transport Secretary, soon after he was appointed. Mr Reid believes that he can meet this cut in BR's life support by increasing revenue and reducing costs.

The rail unions are certain that it cannot be done without cuts in services, possibly line closures, and reductions in BR's high standards of maintenance. The suggestion that this could lead to a deterioration in safety is hotly denied by Mr Reid.

The unions' argument is that BR needs more investment so that it can give better service standards and keep its customers. This will be the theme of an alternative policy to be launched by the end of the year. Mr Jimmy Knapp, general secretary of the National Union of Railwaymen, says: "We welcome the east coast mainline electrification, but it is only a crumb compared with the network electrification that was planned by BR a few years ago."

The NUR and Aslef, the train drivers' union, weakened by the 1982 strikes, when fundamental changes in working practices were the issue, are now threatening industrial action over the wider issue of service cuts and the future of the railways. They called off the day of action and work-to-rule earmarked for last month, but they want reassurances from the BR board before they are prepared to cancel the threat outright.

Balancing the demands of the Government for more stringency and the unions for the preservation of jobs is a problem for any nationalised industry. In BR's case, the customer also has a central role in deciding the future of the industry. Even the normally captive commuter can now find alternatives to the train, with coach companies running peak-time services to and from London.

Mr Reid often stresses the extent to which BR is no longer a monopoly. It faces growing competition from long-distance coaches, mainly in the leisure market, as well as the car. In the business passenger market, the airlines provide an attractive alternative to the train over longer distances.

Competition against road hauliers for freight is even more intense. Modernisation of virtually the entire wagon fleet has brought 70,500 new wagons into service, about a fifth privately owned. This has enabled BR to break into a small part of the general freight market, traditionally taken by road. But the miners' strike is posing problems: it will have cost BR about £150m in revenue lost if the stoppage goes on until November.

Steel and ore movements are affected as well as coal—and these three top the list of bulk materials carried by rail.

The effect of the miners' strike on BR finances has not been as great as it would have been in past years, because BR started the year with good cash balances. These have been swollen since by the sale of Sealink for some £65m.

If the strike continues, however, Mr Reid could find it increasingly difficult to keep within his annual financial targets. The loss will fall on the freight sector, which is not supported by the PSO—where room for flexibility has existed before—and the bill will have to be met somehow. Mr Reid will be anxious that the investment programme is not damaged. Solutions might include permitting BR to borrow from the markets, and allowing big investment projects like electrification to fall outside the current government limits.

The slimming exercise might not be to everyone's liking, but other railways—also under pressure from their governments—are watching Mr Reid's managers with more than passing interest.

Wider UK share ownership

Privatisation alone is just not enough

By Edgar Palamountain

THE ENTERPRISE Oil share sale fiasco has inevitably deepened the shadow over the coming (and enormously greater) public flotation of British Telecom; the Jaguar bonanza is barely relevant. The scale of the BT project always bears repeating: the estimate given for the value of shares to be made available is £4.1bn, by far the biggest issue the Stock Exchange has ever had to contemplate.

Senior members of the Government, from the Prime Minister downwards, have repeatedly affirmed their belief in the merits of wider share ownership. Privatisation of public enterprises has been seen partly—and understandably—as a key to the door. The idea that the citizen's portfolio should include shares in such basic national assets as the telephone system fulfils most of the criteria of wider share ownership. In an ideal world such a portfolio might indeed be dominated by stocks of this kind, alongside such private-sector investments as Sainsbury's, Marks & Spencer, ICI and General Electric. The best current guess, however, is that this is not going to happen. Why?

The short answer is that the habit of share ownership is still nowhere near widespread enough to provide the necessary framework. Despite media coverage of savings and investments on a scale which would have seemed inconceivable a generation ago, personal share ownership seems actually to have declined.

The obvious comparison to make is between the UK and the U.S.; these are the only countries which have a long tradition of share ownership, based on similar capital markets and on stock exchanges which were for the best part of a century far larger than any others in the world. The latest estimate of the number of shareholders in the U.S. is 41m or about 19 per cent of the population. The UK total seems to have fallen to 2.1m which is only 3½ per cent. The holding of shares is therefore on this evidence five times as widespread in the U.S. as in the UK.

Some of the explanations given are hardly convincing. First, although Americans may as a whole be more adventurous, the popularity of racing, bingo and above all football pools does not suggest that the British aversion to risk extends to money. Second, there is not too much to the argument that shares are harder to buy over here; stockbrokers are admittedly less conspicuous but banks have always been open for stock exchange business. Third, the fiscal disincentives to share ownership have now (thanks to successive Chancellors but especially to Mr Lawson) been very largely removed.

Stockbrokers' commissions do admittedly make a big hole in a small purchase and could in future make a bigger one, but this never deterred the investors of the past and does not seem to deter the Americans.

The explanations lie elsewhere. Foremost is sheer ignorance, born of a tradition that commercial activities such as investment were not a suitable subject for school curricula. This abstention has left the field open for the "traditional" savings media, especially the building societies which, being already familiar to very large numbers of parents and grandparents, have not needed the education system to popularise them.

Why financial and educational incentives are needed

It is in this area of competing savings media that the comparison with the U.S. is indeed most apparent. Not merely are building societies far more of a "household" phenomenon than the parallel savings and loan associations of the U.S., but the other popular avenue—National Savings and the "post office"—has no serious competitor on the other side of the Atlantic.

The other rather striking contrast between the two countries occupies, as it were, the reverse of the same coin. Gambling, as we know it, is far less widespread in the U.S. There are no betting shops; indeed there is no official "off-course" betting at all. More important still, there are no football pools. In these circumstances the speculatively-minded citizen turns to the stock market—where the odds, of course, are far less heavily stacked against him.

Wider share ownership clearly needs a shot in the arm—or rather two shots, one financial and one educational. The financial incentive should *not* take the form of fringe benefits or other gimmicks linked to the shares of a particular company. The European Ferries concessions were a bad idea from the start, and so are the special inducements to be offered in connection with the BT issue. The use of public money to promote share ownership in general is one thing: its use to bribe people to take up a particular issue is quite another. What is required is a general tax incentive on the lines of the French Loi Monory (as now amended by the Loi Delors).

Privatisation has given the Government an unrepeatable opportunity for encouraging wider share ownership. But the achievement of this would require general education and publicity conducted over a longish period, so that the thousands of potential investors would be more likely not merely to take up the shares offered to them but to take them up responsibly, with at least some reasonable understanding of what they were doing.

The Government has clearly decided that the measures it has taken to this end over the BT issue are enough (or that it cannot afford more); and that this can be justified on the ground that BT holding shares are a "core," the possession of which will of itself encourage holders to seek more enlightenment and make other investments. I shall be very agreeably surprised if the Government is right.

The author has been chairman of the Wider Share Ownership Council since 1970. He is a former chairman of the M & G unit trust and life assurance group.

Letters to the Editor

Protection for investors

From Mr H. Wigman

Sir,—There are too many instances where smaller shareholders, and creditors, are deprived of representation during a period when a public company may be suffering short-term difficulties: relatively few of them claim much public attention.

JM Bankers (and JM itself) is the latest case, and your correspondent Mr R. J. Davis argues (October 6) that case well: at least in that case JM survives, shareholders have something, and larger shareholders feel sufficiently strongly to be mounting opposition to effective dispossession.

Stone Platt is more notorious the shareholders and most creditors were wiped out and, to their discredit, only certain major institutional holders were allowed—and accepted—any option to participate in its very limited resurrection as Stone International.

Although Lex touched on this in his "management buyouts" comments with aptness (September 25), I feel inadequate stress has been placed on the lack of protection for minority interests in public companies, and in the instance of Stone Platt we have a salutary example of, to use Mr Davis' words, "daylight robbery."

We read that Stone International "offer for sale" has been 18 times oversubscribed: so, not only have the "buy-out managers" been paying themselves over £60,000-plus per annum, but several of them after a major scrip issue weeks ago have made themselves multi-millionaires!

Apart from a major institution or two, original shareholders got not a penny out of the "cannibalisation" of their company, and its reformation.

When there is so much talk about investor protection, but so little done to afford any—for the smaller non-institutional investor anyway—the time has surely come for a more collective vigorous self-defence.

Many, like myself, invest, and try to safeguard others' moneys in public companies. In total we still provide considerable personal sums direct, in addition to those via pension funds, etc.

The time has come for us to refuse to remain eunuchs in an all-too-often sybaritic big investors/management harem.

H. Wigman,
Cherry Tree Cottage,
Chess Hill,
Loudwater,
Rickmansworth, Herts.

Bankruptcy and the banks

From the Managing Director, Antrim Financial Services

Sir,—Let me assure Mr Newhouse (October 8) that my concern about bankruptcy does not imply that I or my interests or clients lost money on the Acrow collapse, the half-forgotten Northern Developments scandal, or any other celebrity receivership in between.

I do believe that Mr Newhouse is lending important ventilation to the debate, because he is defending the status quo and using trusty old attitudes to do it. Very little in his letter requires denial or even comment; but his first point, from which the rest flow, is wrong.

Paradoxically, the only significant source of initial risk capital available in the United Kingdom is the clearing banks. The venture capital industry is still immature and makes a negligible contribution to national start-up capital requirements. Most businesses spring from small beginnings funded by a loan made to an entrepreneur by his local bank manager.

By the time a business has grown sufficiently to qualify for the Stock Exchange official list, purchase of its ordinary shares by an institution cannot from any perspective be viewed as a risk investment. Buyers are entitled to rely on scrutiny of the company by the Stock Exchange; my point, which Mr Newhouse is still struggling to grasp, is simply that when a large concern fails, those who bought stakes in its share capital in good faith are entitled to be protected from the predators who gather to feast on the cadaver.

The fact that a receiver has power to hive down as a going concern all or part of a failed business, excising unsecured creditors and shareholders, can give rise to suspicion in the minds of the losers. If the parts can flourish, perhaps the whole business could have been saved so that all contributors of value could recover their claims.

I am tenacious in my suggestion that some fetter on this sweeping power of receivers is necessary. The temptation to deal at the wrong price should not be allowed to endure, even if we have every confidence in the individual stewards of a particular receivership to resist it.

Martin Hodson.
Warnford Court,
Throgmorton Street, EC2.

Road accident rates

From Mr J. Daniels.

Sir,—Two points must be made in response to Mr Gill (October 6) regarding comparisons of British and German road accident rates.

To dispose rapidly of the first. I have on many occasions had the pleasure of sharing the driving of a car with "Macho" Marshall and can assure Mr Gill that in practice, if not always in the wording of his contributions, he is a thoughtful and considerate, if quick driver.

More seriously, if we are to delve deep into statistical fringes, let us remember that West Germany today serves as a crossroads of Europe. It is not enough to compare native populations, whether of cars or people, to arrive at some kind of accident severity index. Unlike Britain, Germany is traversed every summer by hordes of Scandinavian and Benelux citizens on their way to sunny Italy, and by a steady stream of East European trucks fanning out towards the softer markets of the West.

Perhaps, since he clearly has access to German statistics, Mr Gill would like to tell us how many of those 12,000 fatalities on German roads involved Belgians, Danes and Swedes—or indeed the seemingly ubiquitous American servicemen? What allowance should be made in the statistics for the incidence of military traffic on German roads, which is far greater than we suffer in Britain?

Having said all that, I should add on a more personal note that I am frequently appalled at the aggression and chance-taking which I encounter on German autobahns. In most circumstances it more than compensates for the average German driver's excellent awareness of what is happening behind him. In this respect, the Germans seem to be well on the way to solving the problem: the rumoured introduction of new production models from Audi, BMW, Mercedes and Porsche, all capable of exceeding 150 mph with ease, will surely and finally bring the shutters down at 81 mph. The danger is that over-reaction to over-excess could see the autobahns subjected to a ruthlessly policed 62 mph (100 km); something the German enthusiast might ponder while he fails yet again to fasten his safety belt.

J. R. Daniels.
26, Withdean Avenue,
Goring by Sea, West Sussex.

Tax reform is essential

From Dr D. Pickard

Sir,—It is significant that the letters from Henry Law and Edgar Buck (Sept 29) on local income tax and increased land values along the M4, both suggest the same solution, namely the taxation of land values. It is increasingly clear that many of our economic problems are the direct and indirect effects of our taxation system, and until politicians realise that tax reform is essential to economic recovery, the problems will remain. It is difficult to understand why land value taxation is not given the serious consideration it undoubtedly deserves. Perhaps the Left ignore it because nothing less than nationalisation is acceptable, and those on the Right are too much under the influence of landowners and speculators.

(Dr) D. W. Pickard.
Lane End Farm,
Denton, Ilkley, West Yorkshire.

Criteria for job values

From Mr B. Fish

Sir,—Your report (October 5) of the equal pay hearing by an industrial tribunal in Liverpool gives rise to serious concern.

A university lecturer appointed (significantly) by the conciliation service Acas, cites five criteria for comparison of job content and hence, presumably, of value. It is most disturbing that, in 1984, he failed to include the two of any real relevance, namely value added and supply and demand.

Irrespective of their applicability to the case under consideration in the report, failure to recognise these criteria in the real world of today would be disastrous.

We would indeed then be back to the Clegg comparatability nonsenses which still account for much of today's unemployment.

Brian H. Fish.
14 Stoke Hill,
Stoke Bishop, Bristol.

The tale of a price

From Mr J. Nichols

Sir, — Selected sentences from your article on the portable compact disc player (Page 1, October 3).

1—"The Sony player ... will cost £163 there (in Japan)."

2—"The new player ... will be in British shops ... at around £300."

3—"Compact disc player sales in the UK have lagged...."

Am I imagining it, or is there a link between 2 and 3? And would it by any chance have to do with the greed of distributors who charge double for goods sold in the UK market?

J. R. Nichols.
Oakland,
Forest Road,
East Horsley,
Surrey.

FINANCIAL TIMES

Wednesday October 10 1984

David Gardner reports on the prospects for ratification of the five-nation Contadora peace treaty

Central America prepares for fateful day

OCTOBER 15 is fast assuming a D-Day like importance in Central America's wars.

It is the date that the revised Contadora treaty – an attempt by Mexico, Colombia, Venezuela and Panama to foster a negotiated settlement of the region's conflicts – is to be ratified by the five Central American nations which are party to it.

It is the day, according to Sr Daniel Ortega, the Sandinista leader, on which the U.S. will launch an invasion of left-wing Nicaragua, either through its proxy "Contra" forces massing on the Honduran frontier, or directly.

It is now the date fixed by President José Napoleon Duarte of El Salvador for his first peace initiative towards the left-wing rebels who have been fighting successive U.S.-backed governments for four years.

President Duarte's proposal, made in characteristic grandstand style to the UN General Assembly on Monday, took the rebels by surprise. They had received no official notification of Sr Duarte's suggestion, which is that he would meet insurgent leaders in the guerrilla-held town of La Palma, close to the Honduran frontier, next Monday.

Rebel leaders have reacted favourably, although with caution. "If Duarte is prepared to discuss the central problem of El Salvador, which is war and peace, then that would be a major advance," a member of the insurgent's political leadership, the political-diplomatic commission of the Revolutionary Democratic Front (FDR) said yesterday.

But for the initiative to lead anywhere, the FDR spokesman warned, the La Palma meeting would have to be the first of a series rather than a one-off publicity stunt.

The rebels believe that Sr Duarte is under growing international pressure to start the dialogue with the insurgents that he promised before being elected in May.

Rebel leaders deny reports of contact between government officials and commandos of the FMLN, the guerrillas' 12,000-strong army, saying they have dealt exclusively with the army high command – usually through the church but at least once directly – for the exchange of prisoners and wounded.

The biggest of such exchanges was due to be completed yesterday. The arrangement involved the flying out of the country of 60 FMLN wounded and the return of four captured rebel commandos in exchange for eight army officers. Talks on this agreement began last February and involved nine countries, including West Germany, France, Sweden and East Germany.

Rebel leaders were nevertheless concerned to stress that the exchange was an example of the two sides in the war being able to reach and carry out agreement without foreign interference.

Sr Duarte's proposal is vague. It is also far from certain that a week is long enough to arrange the La Palma meeting. The rebel leadership will insist on adequate security guarantees and the attendance of their political, as well as military leaders.

Sr Duarte's remarks to the UN were addressed to the FMLN, while his contempt for the FDR – whose principal leader, the social democrat Sr Guillermo Ungo, was his running mate in 1972 elections, which they won but were defrauded of by the military – is well known.

In addition, some analysts believe that the Duarte move is intended to try to take pressure off the U.S., which has appeared hostile to the Contadora peace process once it looks to be on the point of achieving its goal, at least formally.

Sr José Napoleón Duarte

In this analysis, Sr Duarte's approach to the rebels has two main virtues.

First, within Contadora's provisions for "national reconciliation," Nicaragua will come under pressure to make approaches to the "Contras," which it has vehemently refused to do. The Sandinistas regard the 15,000 strong rebel force, made up in large part of former members of ex-dictator Anastasio Somoza's defeated National Guard, as an externally financed and led army which is in no sense part of the civil war.

Second, if this symmetry is established between the Contras and the FMLN, it will allow the U.S. to back Contadora but not implement its provisions, arguing that Nicaragua, the first country to endorse the treaty two weeks ago, is flouting them.

The treaty would require the U.S. to withdraw military advisers from El Salvador and Honduras, and to dismantle the forward base structure it has assembled in Honduras.

Explaining U.S. opposition to the Contadora treaty last week, a State Department official was quoted as saying: "We are not about to give Nicaragua veto power over American aid to El Salvador." While there is a slim chance that Sr Duarte's initiative may lead to substantive talks on peace in El Salvador, there is every likelihood that it will provide the U.S. with the opportunity to use the Sandinistas as justification for their essentially military response to rebellion in their Central American backyard.

THE LEX COLUMN

Round trips off Brighton pier

The base rate cut is almost as familiar a feature of the British Conservative Party conference as Elgar's Pomp and Circumstance, so it would be unwise to predict that this week will pass without the clearing banks giving delegates something to celebrate. But, after yesterday's money supply figures, a cut in rates could only be interpreted as political engineering.

A final verdict on the figures must admittedly await next week's breakdown of the monetary components and even then it will be impossible to assess the distortions caused by round-tripping. But, with all the seasonally adjusted aggregates showing strong growth during banking September and sterling M3 now nudging out of the top of its target range, a base rate cut can hardly be justified on monetary grounds.

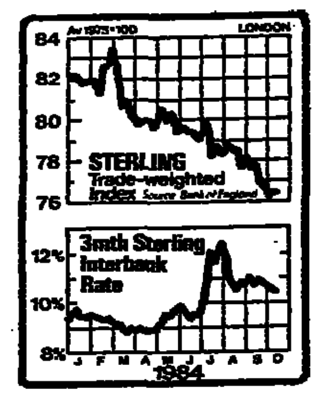
All the preliminary evidence points to round-tripping in the bill market on a grand scale. On a seasonally adjusted basis, sterling lending rose by £1.5bn while the clearers reported no increase in the level of advances. The profusion of bills in the discount market and at the Bank of England probably accounts for the whole of the discrepancy.

But it is not clear how much of this bill finance has been placed on deposit, and so boosted bank lending, and how much has been used to reduce overdrafts. Nor is that the only conundrum. A PSBR of £1.6bn looks exceptionally high, while it is anyone's guess how much overseas gilt sales and the cashing in of tax certificates to finance PRT payments have distorted the underlying level of official funding. The Bank also refers mysteriously to "an exceptionally large positive interbank difference" which, in plain English, may be disguised bank lending.

Even by casting its net wide, the Treasury could have found little reason for a base rate cut yesterday evening. The Fed's decision to syphon funds from the money market had sent the dollar steaming ahead, sterling money rates had inched back up, and the Jaguar workforce had shown how much can be learnt from an offer-for-sale prospectus.

Lloyd's

The Lloyd's decision to bring its accounting practices into line with the world beyond its walls is a ma-



jor step indeed. The previous mishmash of accounting methods not only undermined confidence among the underwriting members but did Lloyd's little good in the eyes of the authorities, particularly the Inland Revenue.

There is still a mountain of work to be done. Even the small circle of Lloyd's auditors acknowledge that 130 insurance syndicates would not have won a clean audit certificate under the new rules. But, most important of all, Lloyd's needs to show that the audit is conducted as independently as can be, free of any conflicts which may arise from an auditor's work elsewhere in the market.

Cambrian & General

Any shareholder daunted by the complexity of Cambrian & General Securities' latest rights issue can at least be reassured that Mr Ivan Boesky (for it is he) believes in leading from the front. As chairman of the trust so carefully engineered for his needs, and holder of 12 and 80 per cent respectively of the ordinary and capital shares, the U.S. arbitrageur intends to subscribe another £5½m himself. Some £4m of this will pay for new capital shares at a 28 per cent premium to their adjusted net asset value. But then, Mr Boesky has set his sights on a UK investment vehicle which, with nearly £20m additional equity and proposed new loans of £88m, would offer him twice the present gearing on C & G's capital shares-making every £1 jump in the underlying assets worth about £6 a capital share.

Other shareholders presumably need little reminding of the high risk involved in such gearing, not to mention the foreign exchange risk implicit in Mr Boesky's transatlantic strategy. They have seen a dramatic rise in the asset value of their shares, however, and the ordinary shareholders are being offered rights at discounts of 9 and 21 per cent to the market price and asset value respectively.

Reactions from other quarters seem rather less predictable. Attempts by the City of London to second-guess Mr Boesky's next move will have to look rather beyond the affairs of Anglo-Scottish Investment Trust, still a possible take over target. The Euromarkets' assessment of C & G's credit will be awaited with interest – and no doubt Mr Boesky's tax lawyers have burned plenty of midnight oil anticipating the Inland Revenue's attitude next spring to finding such a cuckoo in the investment trusts' nest.

Sears Holdings

If the market feels a bit disappointed with Sears, it is not being entirely unfair. Before non-trading items and tax, the six-month total is a bare £200,000 ($245,000) higher than last year at £39.5m, and although the All-Share is about a quarter higher than last October, Sears' share price is almost exactly where it was then; yesterday it fell 4p to 79½p, roughly ten times what most people expect Sears to earn in the full year.

The case in favour of Sears is that this year's result represents an improvement in earnings quality, having been achieved against a much less favourable retail background than the full-blown boom of early 1983, and with less help from capricious weather on the racecourses. Sears can certainly point to improved results from its department stores and a move into profit from the Olympus sports shops. Against that, static profits from shoe retailing are hard to set in a favourable light. Butler Shoe has been a victim of the general softness in U.S. retailing this summer, with an 11 per cent profit drop in dollar terms. And in the UK the vogue for low-priced plastic "jelly" shoes cannot be doing much for net margins, whatever its effect on unit volume.

Altogether, the Sears share-price seems to be in need of more than solid results. Perhaps Sears should really try to buy Harrods or consider becoming the white knight of the white goods sector.

Egypt and Jordan in Arab unity talks

By Tony Walker in Amman

PRESIDENT Hosni Mubarak of Egypt held talks with King Hussein of Jordan in Amman last night in what is clearly the first stage of an attempt to create a "moderate" Arab front which could pave the way for Middle East peace negotiations.

Jordan is the first of the Arab countries which boycotted Egypt over the peace treaty with Israel to restore relations with Cairo.

King Hussein took the step despite bitter opposition from Syria and Libya. Syrian newspapers have called for the assassination of King Hussein for his "traitorous" act.

President Mubarak, who is paying his first visit to Jordan since taking over as head of state, heard King Hussein say at an official banquet that he wanted unity among the Arab states.

Arab power should be used in a "rational" and "organised" way, King Hussein said, stressing that his decision to restore relations with Egypt was not designed to divide the Arab world. He hoped his meeting with Mr Mubarak would lead to wider Arab co-operation.

The King has been accused of rupturing Arab consensus after his decision two weeks ago to re-establish ties with Egypt in the face of the Arab League boycott of Cairo five years ago.

But, while the King appeared to be challenging his critics, notably Syria and Libya, his carefully-worded speech was conciliatory in tone, emphasising the theme of unity among Arabs. He said that, despite differences in the Arab world, Mr Mubarak's visit demonstrated that Arabs "face a common threat and should have a common response to that threat."

King Hussein expressed support for the Palestinians and by implication criticised Syrian interference in the affairs of the Palestine Liberation Organisation (PLO). Jordan, he said, supported the PLO and its legitimate leadership in its struggle to maintain its independence of decision-making.

This was a clear reference to Syria's attempt to direct the affairs of the PLO through support for Palestinian factions based in Damascus who are opposed to Mr Yassir Arafat, the PLO leader.

Mr Mubarak is accompanied by a group of senior ministers including the foreign minister and the ministers of economy and of planning and international co-operation.

These ministers are discussing ways in which economic co-operation can be developed between the two countries.

Background, Page 4

Bonn plans to allow flotation of risk capital concerns on bourse

BY RUPERT CORNWELL IN BONN

THE WEST German Finance Ministry is putting the finishing touches to a draft Bill enabling the flotation of venture capital companies to help to channel funds to promising small or newly established enterprises.

The measure, which could win Cabinet approval next month, has two main purposes: to make West German stock markets more attractive; and to meet the fashionable complaint that not enough has been done to foster smaller, technologically innovative companies vital for the country's economic future.

The venture capital concerns, according to Herr Hans Tietmeyer, State Secretary at the Finance Ministry, could be set up by banks, savings banks or chambers of commerce. Legislation would ensure that small investors who bought shares in them would have equal tax treatment.

Smaller companies in which the venture capital concerns take a stake will benefit by gaining indirect access to a market for long-term risk capital. The latter would only be entitled to raise funds by the placement of fresh shares.

To make the idea as appealing as possible, the Bill is expected to offer substantial safeguards for ordinary investors.

Although the exact minimum capital of the new companies has not been decided it will be fairly high, to deter the launch of dubious schemes. Each venture capital concern will be required to spread risk by taking participations in at least 10 different companies.

Clear prospectuses and detailed reporting requirements will also be enforced to allow investors to gauge more exactly what risks they are taking on.

This latest initiative is part of a wider campaign by the Bonn Government to make life easier for smaller companies.

Two weeks ago the Technology Ministry announced a DM 500m ($163.89m) programme to encourage research and development. To be eligible, a company must employ no more than 3,000 people and have annual sales of less than DM 300m.

Commerzbank leads public issue

BY JONATHAN CARR IN FRANKFURT

COMMERZBANK, one of West Germany's biggest banks, is heading a consortium to bring a company to the stock market – the first time the bank has acted as a new issue leader.

The move is a further sign of the steady expansion of the West German bourse after a long period of stagnation, and of the increasing contribution of the banks to the process.

Dr Walter Seipp, chief executive, said that while this was Commerzbank's first new issue as consortium leader (other members are Bayerische Vereinsbank and Merck Finck) others would follow.

The company to receive an official listing on the Frankfurt and Munich stock exchanges on October 29th is Krones AG, a Bavarian mechanical engineering group.

Krones, a family business which has had the AG form (joint stock company) since 1980, is described as the world's leading supplier of automatic labelling machinery. It has about 70 per cent of the world market and a somewhat higher share than that in West Germany and the U.S.

It is aimed to raise DM 64.4m ($21.0m) for the company, through an issue between October 17 and 23 of a nominal DM 7m worth of non-voting preference shares at a price of DM 460 per share. The majority of the capital will stay with the founding family.

Responding to press comments that the issue price seemed high, Dr Seipp stressed that Krones, with a group turnover over DM 250m, was "a pearl" with a solid history of earnings growth and technological innovation. He also noted that the preference shares would be entitled to a higher dividend than the ordinary shares.

Krones will be the tenth new company to receive an official bourse listing this year. Three other newcomers have also been admitted to the regulated "free market."

This already marks an advance on 1983 when there were 11 new issues which was seen as a striking advance after years of stagnation.

Eurobonds, Page 36; Mexico's abortive loan deal, Page 5

Boesky's UK trust to raise £19.8m

Continued from Page 1

manship. In the past year alone, net asset value of the ordinary shares has risen to 127p from 65p, and of the capital shares to 184p from 44p.

Publicity surrounding Cambrian's success has attracted U.S. investors into its stock, and U.S. ownership of votes now stands at about 33 per cent. If it rose to 50 per cent, Cambrian would become subject to taxation by the U.S. Internal Revenue Service and would thus lose the tax attractions which it affords because of UK investment trusts' exemption from tax on internal capital gains. The rights issue will reduce U.S. ownership slightly.

Although most of Cambrian's investments – in its own name and through a Bermuda-based trading subsidiary, Farnsworth & Hastings – are in U.S. stocks, it was understood that the takeover activity in Britain this year has attracted Mr Boesky to take a greater interest in the London market.

Cambrian would not identify the house which will handle its two Eurodollar issues – a $60m 10-year unsecured borrowing and a $50m seven-year note secured by a changeable basket of securities within Cambrian's portfolio.

The share issue is at 100p per ordinary share, compared with Cambrian's closing price yesterday of 109p, unchanged, and at 210p a capital share, compared with yesterday's 220p, up 1p. Shares not to be taken up by the Boesky group and London and Manchester have been underwritten by J. Henry Schroder Wagg.

The rights issue heightened speculation about Cambrian and London and Manchester's intentions regarding Anglo-Scottish Investment Trust, in which they are both minority shareholders. Anglo-Scottish will hold an extraordinary general meeting on October 18 to vote on proposals to unitise part of the trust and divide the remainder into two new investment trusts.

Mr Robert Harris, senior partner of Seligmann Rayner, Cambrian's broker, said yesterday, that Cambrian's fund-raising operations were unrelated to the Anglo-Scottish stake.

Accounting reform for Lloyd's syndicates

By John Moore, City Correspondent, in London

A SERIES of accounting reforms designed to eliminate abuses and prevent scandals in the Lloyd's insurance market were introduced yesterday by the Lloyd's authorities.

Mr Ian Hay Davison, Lloyd's chief executive, said that key aspects of the reforms would not become mandatory until accounts were drawn up in 1985.

He said that a "significant minority" of accounts of Lloyd's insurance syndicates, into which the 23,438 underwriting members of the market are grouped, "are not in good enough shape" to satisfy the new accounting requirements. The delay was designed to allow underwriters to change their internal accounting systems to meet the new requirements.

Under the accounting reforms, Lloyd's, through a by-law, is insisting that accounts of the market's 430 insurance syndicates are prepared in detail and assessed by auditors on a "true and fair" basis. Standard accounting procedures are to be adopted replacing previous methods whereby different accounting methods were used throughout the market.

Mr Davison said that if the new accounting proposals were implemented imediately, he had received indications from Lloyds auditors that 130 of the market's insurance syndicates might receive a qualified auditors' report to the accounts.

"We face a big educational problem and we have a long way to go. But two years ago these reforms would have been unthinkable in the Lloyd's market," Mr Davison said.

Records in some cases had not been kept with sufficient care by Lloyd's professionals to allow "true and fair" view standards of accounting to apply, he said. Lloyd's officials said that although underwriters had in many cases maintained the information required in the new accounting rules, the information had been kept private and not reconciled with the accounts presented to underwriting members.

Mr Davidson said that the Institute of Chartered Accountants' research department was carrying out a survey into the accounts prepared by Lloyd's underwriters. Syndicate accounts now have to be filed on a central register which is open to the public for inspection.

See Lex; Details, Page 24

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	F	22	72	Malaga	S	22	72	Salzburg	F	15	59
Akrotiri	S	29	84	Faro	S	23	73	Malta	F	23	73	Seoul	C	23	73
Algiers	-	—	—	Florence	S	23	73	Manila	C	31	88	Singapore	F	32	90
Amsterdam	C	15	59	Frankfurt	C	17	63	Miami	C	27	81	Stockholm	S	13	55
Athens	S	28	82	Funchal	C	22	72	Milan	S	18	64	Strasbourg	C	18	64
Bahrain	S	34	93	Geneva	S	16	61	Moscow	C	13	55	Sydney	C	31	88
Bangkok	R	30	86	Gibraltar	-	—	—	Munich	C	16	61	Taipei	C	29	84
Barcelona	-	—	—	Guernsey	D	15	59	Nairobi	R	20	68	Tangier	S	24	75
Beirut	C	28	82	Helsinki	C	9	48	Naples	F	28	68	Tehran	-	—	—
Belgrade	S	17	63	H. Kong	F	29	84	New Delhi	C	34	93	Tel Aviv	S	29	84
Berlin	D	14	57	Innsbruck	F	16	61	New York	C	19	66	Tenerife	S	24	75
Biarritz	S	18	64	Inverness	F	13	55	Nice	S	21	70	Tokyo	C	19	66
Blackpool	F	13	55	Istanbul	C	23	73	Oporto	S	26	79	Toronto	R	14	57
Bordeaux	C	17	63	Jersey	D	15	59	Oslo	S	13	55	Tunis	C	21	70
Brussels	D	15	59	Jo'burg	C	27	81	Paris	C	17	63	Valencia	C	19	66
Budapest	C	16	61	Las Palmas	S	25	77	Prague	C	14	57	Venice	C	19	66
B. Aires	C	20	68	Lima	C	20	68	Reykjavik	F	3	37	Vienna	C	17	63
Cairo	C	35	95	Lisbon	C	22	72	Rio de J'o	C	25	77	Warsaw	R	12	54
Cape Town	S	25	77	Locarno	C	15	59	Rome	S	22	72	Zurich	S	17	63
Caracas	R	29	84	London	F	17	63								
Casablanca	S	19	66	Los Angeles	C	26	79								
Copenhagen	C	13	55	Luxembourg	D	13	55								
Corfu	S	28	82	Madrid	S	21	70								
Dublin	C	13	55	Majorca	F	20	68								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

ICI looks for takeover targets

BY CARLA RAPOPORT IN TOKYO

BRITAIN'S Imperial Chemical Industries (ICI) is planning to increase its acquisition activity markedly over the next few years with the aid of a new top-level management team to be formally appointed this week.

The move is expected at least to double and perhaps to treble ICI's annual expenditure on acquisitions, currently running at between £70m and £90m ($87m – $111m) a year. The acquisitions will be aimed at continuing ICI's move into high value-added, marketing-orientated businesses, with a particular emphasis on expansion in the U.S. and Japan.

"We cannot rapidly change the shape of our business without actively going into acquisitions," said Mr David Nash, ICI assistant treasurer and soon to be appointed head of ICI's acquisitions team.

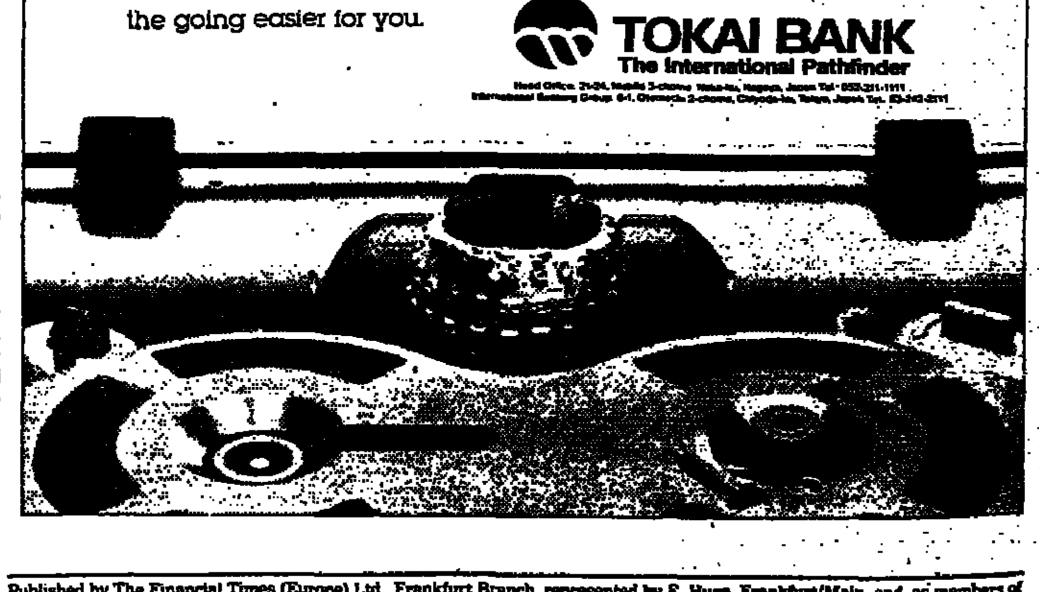
ICI's potential targets will be in line with its current businesses, ranging from paints to pharmaceuticals, as opposed to new areas of business.

Mr Nash said the group was particularly interested in identifying companies that may not be on the market but would none the less be a good fit for ICI. "We will be monitoring companies that look interesting, as opposed to waiting for offers to come in," said Mr Nash.

The team will be most active in looking for acquisitions in agrochemicals, special chemicals, electronic chemicals, and advanced composite materials such as engineering plastics.

In the area of pharmaceuticals, the group will be interested in expansion through increased licensing of new drugs, but is unlikely to buy another drug company outright because of the unusually high prices in the sector.

ICI's team of persuaders, Page 17



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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday October 10 1984

Steyr plans large group overhaul to cut losses

BY PATRICK BLUM IN VIENNA

STEYR-DAIMLER-PUCH, the Austrian motor and engineering group, which has made heavy losses in recent years, is to close plants and step up capital spending as part of a programme of rationalisation.

The company is aiming to break even in 1986, and to pay a dividend four years later. Group losses last year totalled Sch 290m ($13.7m).

Production plants in St Valentin and Letten and one plant in Graz will be closed. Production will be concentrated in three remaining plants in Steyr (trucks, tractors and small firearms), Vienna (buses and tanks) and Graz (four-wheel-drive vehicles, bicycles and mopeds).

The workforce will be cut from 14,500 to 13,100 and workers from the closed plants transferred to the remaining ones.

The company has been making losses since 1981. In 1982 operating losses climbed to Sch 690m and then reduced to Sch 290m in 1983. Herr Michael Malzacher, general director, says that it is too early to predict how the company will fare this year.

The company has suffered from the decline in the European bicycle and moped industry, from difficulties in its operations abroad and from government restrictions on arms sales. About 150 Kürassier light tanks are unsold after an unexpected refusal of an export licence for Chile in 1980.

Steyr's main shareholder, Creditanstalt Bankverein, which holds about two thirds of the shares, is eager to improve the company's performance, which is the biggest loss maker among its industrial holdings. The remaining shares are held by small, private investors in Austria, West Germany and Switzerland.

The rationalisations will require approval from the workforce and some tough negotiating will have to be done since the company's work council has already said it will oppose closures.

The company is trying to increase its share of the domestic market in civil and military products and to expand exports.

Oil service operators in $600m fleet link

By William Hall in New York

ZAPATA CORPORATION, Houston Natural Gas and Halliburton, three leading Texas oil service companies, are merging their offshore tung and supply boat operations in a bid to combat the depressed conditions in the offshore oil services industry.

The deal is the latest move towards restructuring an industry which has been badly affected by cuts in oil exploration, debt-burdened balance sheets and high interest rates.

The merger of the three fleets will create the biggest offshore oil service fleet in the world with 325 boats and assets of $600m.

The new venture, which will be called Zapata Gulf Marine Corporation, will operate around the world and will be slightly larger than Tidewater, which is one of the world's biggest offshore supply boat operators. Tidewater itself faces a possible takeover from an investor group led by Mr Irwin Jacobs.

Zapata will own 42.6 per cent of the new venture and contribute 76 boats. Houston Natural Gas is contributing 159 vessels and will withdraw 130m from the fleet operations in the form of an intra-company dividend before the deal is completed. Halliburton will contribute 90 vessels and withdraw 20.

Conti-Gummi warns on French tyre subsidies

BY PAUL BETTS IN PARIS

FRENCH state subsidies to lame-duck tyre manufacturing operations risk causing severe distortions to a market already suffering from 10 to 15 per cent overcapacity, Herr Helmut Werner, chairman of Continental Gummi, the West German tyre and rubber products group, warned in Paris.

Herr Werner, whose group has large tyre manufacturing operations in France, was particularly critical of recent French Government decisions to advance about FFr 1bn ($107m) in subsidies to Sumitomo Rubber of Japan to aid its rescue of Dunlop's troubled French tyre operations and to advance FFr 4bn in the form of preferential loans by nationalised banks to Michelin, the leading French tyre group.

The West German executive claimed that French authorities had turned down approaches by Continental Gummi for comparable aid "We were left alone to sort out our problems in France," he remarked.

Continental Gummi, which markets its tyres under the Continental and Uniroyal marques, owns two plants in France and employs 2,600 people. Annual sales of the two French tyre plants total about FFr 1.2bn, of which exports account for FFr 786m. Its French operations are profitable at present.

The West German group is worried about the heavy reliance of its French operations on export sales. Herr Werner said he would like to see a more balanced ratio between domestic and export sales in France.

Herr Werner pointed out that in Britain, Continental Gummi had managed to resolve its difficulties at its tyre plant at Newbridge in Scotland. The plant was originally designed for export production until the strengthening of sterling made it uncompetitive.

The plant, however, had since found the necessary sales in the UK market to maintain its viability.

Continental Gummi now expects a 4 per cent increase in group sales this year compared to 1983, despite the impact of the metalworkers strike in West Germany which cost the company DM 85m in lost sales Herr Werner said. The West German group reported sales of DM 3.387bn ($1.1bn) last year and now expects sales of about DM 3.5bn this year.

Earnings momentum retained at Abbott

By William Hall in New York

ABBOTT LABORATORIES, the fast growing U.S. health care products group, increased its third-quarter net income by 13.8 per cent to $91.4m or $0.76 a share.

The Chicago-based company, which has reported rising earnings for more than a dozen consecutive years, experienced only a marginal rise in sales to $731m in the third quarter and growth in operating earnings slowed to 6.3 per cent.

Mr Robert Schoellhorn, chairman, said the company's hospital-related business was being affected by cost containment measures that have slowed hospital and related health care expenditure.

Television plays key role in sharp CBS profit advance

BY TERRY BYLAND IN NEW YORK

CBS, the leading U.S. entertainment and communications company, yesterday announced 46 per cent rise in third-quarter net earnings, with the strong performance of the CBS television network a "key factor."

Net profits rose from $33.4m or $1.12 a share to $48.8m or $1.64, while revenues advanced from $1.02bn to $1.19bn. At the nine-month stage, earnings are 60 per cent ahead at $176.3m or $5.93 a share, against $109.9m or $3.70. Sales so far this year are up from $3.11bn to $3.58bn.

Profits at CBS/Broadcast, which takes in the TV networks, rose 34 per cent in the third quarter, while revenues advanced just 16 per cent. The CBS/Records group lifted operating profits by 52 per cent on a revenue increase of 15 per cent, reflecting a solid performance by new releases including works by Julio Iglesias and Bruce Springsteen.

Publishing group profits rose 24 per cent on a revenue gain of 10 per cent, with educational, professional and magazine operations improving margins in a quarter that traditionally produces the year's highest profits.

Losses at the Columbia group, which includes musical instruments and toys, were substantially reduced as revenues rose 41 per cent. Success at the domestic toy operations offset adverse market conditions at CBS Toy International. In the 1983 quarter the group ceased operations at its domestic video game software business.

Mr Thomas Wyman, chairman and chief executive, commented: "We are very pleased with the continued growth and progress of our base businesses. Their competitive performances in most areas are strong and operating profit margins continue to improve."

The television networks have traditionally brought in about 40 per cent of group revenues, but CBS also owns the world's largest record company, which is at present benefiting from strong sales

International Paper lifts result

BY OUR NEW YORK STAFF

INTERNATIONAL Paper, the world's largest paper manufacturer, increased earnings 7 per cent to $71.6m during the third quarter but expressed concern about results for the current three months.

Sales for the quarter retained their momentum with a 9.4 per cent improvement to $1.2bn.

Earnings for the nine months are 4.4 per cent up at $193.9m or $3.49 a share on a sales gain of 10 per cent at $3.6bn. The last quarter includes $16.8m from land sales, against a gain of $123.7 in the last comparable period.

Mr John Georges, president and chief executive, said, however, that the final quarter would be influenced by weak export earnings and the pressure of the strong dollar on lumber and plywood prices. Offsetting those factors would be the recent start-up of a third machine at the Georgetown mill.

Earnings at IP recovered strongly last year but the pace is now slowing down. Year-end earnings appear unlikely to match some forecasts on Wall Street.

Meanwhile, Consolidated Papers, which concentrates on enamel paper for the printing industry, achieved a further substantial gain in profits in the third quarter.

Bid for Belgian publisher

By Our Financial Staff

HACHETTE, the French publisher, is to join forces with Groupe Bruxelles Lambert in acquiring the Belgian publishing group Dupuis for BFr 1.3bn ($21.1m).

After the takeover, Hachette will have a 60 per cent stake in the publisher and GBL 40 per cent. GBL said yesterday that agreement in principle had been reached between all parties.

Eastern moves out of red in quarter

BY OUR FINANCIAL STAFF

EASTERN AIR LINES, the fourth largest U.S. domestic carrier, achieved a net profit of $3.6m for the third quarter. That compared with a $34.4m loss a year ago and was the first profit since the fourth quarter of 1982.

At the operating level, profit was a record $60.9m against a $17.3m loss a year ago but the per-share figures showed a loss, down from $1.35 to 7 cents, after undeclared preferred dividends.

For nine months, the airline's net loss was $48.7m, or $1.69 per share, down from the $128.9m, or $5.46 a share a year ago.

Revenues for the quarter reached $1.09bn, up from $995m, taking the nine-month total to $3.25bn, compared with $2.96bn.

Mr Frank Borman, president and chairman, attributed the improvement in the third quarter to strong traffic and reduced costs. "There remains a need for continuing cost reduction and productivity improvements," he said.

"Because of our large concentration of flights on the East Coast we experience more competition from the low-cost carriers than any other major carrier. To compete effectively, our costs must continue to come down," he added.

Among the factors behind the nine-month deficit was a $35.1m allocation to the employees' share participation plan; an increase in costs, estimated at $35m, due to air traffic control-related delays; and low yields resulting from severe competition.

The recovery in the fourth quarter appears greater when allowance is made for the $32.9m gain from the sale of tax benefits on leasing in the corresponding three months.

Operating expenses in the quarter were up less than 1.5 per cent at $1.03bn.

For the whole of 1983 the company lost $183.7m.

IC Industries benefits from land disposal

By Terry Dodsworth in New York

IC INDUSTRIES, the U.S. conglomerate with interests ranging from railways to processed foods and Pepsi-Cola bottling, more than doubled third-quarter net profits, helped by a $25.7m pre-tax gain from the sale of land in Chicago.

Net earnings rose from $19.6m or 45 cents a share to $41.9m or $1.06 in the third quarter, while sales rose from $953.3m to $1.02bn. The company said five of its six subsidiaries reported strong improvements in earnings, with railroad activities, buoyed by the special gain, bringing pre-tax profits of $35.6m against a $3.2m loss.

IC began to recover last year from a profits slump in 1982, and is in the process of acquiring Pneumo Corporation, another diversified group with interests in a mixture of aerospace, defence and food distribution businesses.

In the first nine months of this year the group achieved net earnings of $88.8m, or $2.22 a share.

CHEMICAL GROUP GEARS UP FOR ACQUISITIONS

ICI's team of persuaders

BY CARLA RAPOPORT IN TOKYO

WHEN A COMPANY with sales of £8bn ($9.9m) a year announces a new acquisition strategy, one can almost hear the buzz created in merchant banks around the world. ICI, which this week announces the formation of a top-level acquisition team, is not very interested in hearing from merchant banks, however.

"Money on its own is not necessarily enough to make a good acquisition," said Mr David Nash, ICI assistant treasurer, soon to be appointed head of the new three-person acquisition team, which will report directly to an ICI executive board member.

"We have to be both monitoring the market and learning how to persuade someone to sell," Mr Nash said. Although ICI has long been active in acquisitions, having bought some 20 companies in the past two years alone, it has yet to develop any central, aggressive purchasing skills. The recent surge in chemical sales has generated a great deal of cash at ICI, however, so the group is well placed to begin developing those skills.

With more than half of ICI's sales tied to heavily cyclical, commodity businesses, the impetus to reduce such exposure through acquisition has increased markedly recently. The group still expects strong organic growth from its pharmaceuticals and agrochemicals business, but would like to enhance the growth in specialised areas to gain more protection against new competition in its traditional chemical businesses from energy-rich countries such as Saudi Arabia, and from the next cyclical downturn, which is expected within the next year.

ICI's record on acquisitions has been good, but not brilliant. According to Mr Denys Henderson, ICI's executive director, who organised the acquisition team, there are three kinds of acquisitions. First, there is in-filling, such as ICI Paints' purchase of a French paints group this year, aimed at spreading its product sales geographically. "These we have not handled too badly," Mr Henderson said.

The second category originates from merchant banks or similar financial institutions. "You are seeing more rationalisation and the costs of specialised businesses are going up. Only the big international businesses with widely spread cost structures can survive, so we get to hear about almost anything on the market in our area," Mr Henderson said.

These offerings had until this week been handled ad hoc by senior staff. As ICI has cut back stringently on management staff in recent years, there were fewer people with time to consider the proposals.

"The people we have, we hope are gainfully employed in running the business," Mr Henderson said. As a result, he says he is not sure ICI has handled these proposals too well.

None the less, it is really the third area of acquisitions that ICI is most enthusiastic about. That involves seeking potential acquisitions which may not be considering selling. "We will be looking at things not on the market," said Mr Nash. That might turn ICI into an unwelcome predator for a publicly listed company for the first time for decades. About 20 years ago, the group tried to buy Courtaulds, but failed. More recently, a bid for Cardo of Sweden fell through.

"We do not want to get swamped by what comes in," Mr Nash said. At the same time, the new team will act as a centralised clearing house for those companies who tout other companies. "At least they will know who to call," said Mr Henderson with a smile.

Mr Henderson pointed out that ICI might also be considering the purchase of a large group with an eye towards winnowing out the businesses it wanted to integrate and divesting the rest. "You can pay a lot for a pure pharmaceutical company, say, and it is very rare that you get 100 per cent of what you want," he said. As a result, the group will be monitoring larger groups with attractive subsidiaries as potential takeover targets.

Mr Henderson gave a warning, however, that ICI must not expect too much from acquisitions. "This is not flavour-of-the-month stuff. Innovations and breakthrough products are still the name of the game and they will still come from internal growth. ICI's growth overall will still be largely internal," he said.

"We are looking for acquisitions where we can add our technology or marketing edge to the party. We are already a massively diverse group, so we have lots of scope to improve," he concluded.

Swedish steel group to sell assets worth $80m

BY DAVID BROWN IN STOCKHOLM

AVESTA, the Swedish stainless steel group in which China may eventually take a major shareholding, is to sell most of its hydropower assets for nearly SKr 700m ($80m) as part of a broad-ranging restructuring plan.

The deal will allow Avesta, formed earlier this year in an extensive consolidation of Sweden's entire special steel industry, to reduce interest costs by up to SKr 85m and improve operating results.

"The main factor is to improve our balance sheet and solvency ratio," said Mr Jan Carlen, the managing director, yesterday. The sale follows a recent public offer of shares to raise SKr 308m.

After the disposal, Avesta expects to make a profit of SKr 175m this year (it lost SKr 162m in 1983) but says results will decline during 1985 and 1986 as the estimated SKr 600m cost of rationalisation is borne. It has already announced several major planned closures.

The company, which is part of the Johnson group, has European market shares of over 20 per cent in welded stainless tubing, about 20 per cent in hot rolled plate and some 5 per cent in cold-rolled strip and sheet products.

A Chinese delegation interested in buying a stake in Avesta in order to gain access to its technology is touring the facility. China could take a 25 per cent stake in Avesta.

Ambrosiano considers merger

BY ALAN FRIEDMAN IN MILAN

NUOVO BANCO Ambrosiano, the Milan-based bank which was formed two years ago following the collapse of the late Sig Roberto Calvi's Ambrosiano group, hopes to merge with its La Centrale financial subsidiary.

Professor Giovanni Bazoli, chairman of the bank, says he would like to see a merger completed during the first half of 1985.

He says he is particularly interested in seeing Nuovo Ambrosiano obtain a quote on the Milan bourse. This would be a direct result of a merger with La entrale.

Last July the board of Nuovo Ambrosiano gave a mandate to the bank's top management to commission a study exploring prospects for a merger with La Centrale, in which it holds a 47 per cent stake. The mandate came after the Bank of Italy blocked an effort to sell La Centrale to a consortium of 20 Italian banks.

Making his first formal comment on the subject, Professor Bazoli said in an interview that a merger between the listed La Centrale and the unquoted Nuovo group (it is owned jointly by seven banks) was not the easier solution, but would nonetheless be a better one.

"The easier solution would be a quick sale," said the Nuovo Ambrosiano chairman. But he cited three reasons why a merger would be more desirable: it would prevent the group from losing control of La Centrale, which is a "valuable asset;" it would mean that Nuovo Ambrosiano would have an official stock exchange listing; an dit would mean that the group would be owned not just by seven banks but by 50,000 small and institutional shareholders.

Professor Brazoli said the exploratory study would not be complete for some months, but in any case he hoped a merger could be achieved.

Roussel-Uclaf profits ahead by 64%

BY PAUL BETTS IN PARIS

ROUSSEL-UCLAF, the Franco-German pharmaceuticals group 54.5 per cent owned by Hoechst, yesterday reported a 64 per cent increase in first-half net earnings, to FFr 282.2m ($30m) from FFr 170.6m in the first half of last year.

The rise in earnings continues to reflect the strong growth of the group's foreign sales, which account for about 70 per cent of group revenues.

Total group sales rose by nearly 20 per cent to FFr 5.5bn in the first half compared with FFr 4.6bn. Cash flow in the first half rose to FFr 452.1m from FFr 278.1m in the same period last year.

The company said yesterday that activity in the third quarter continued at a sustained level and that the outlook for he last quarter was satisfactory. However, it expected second-half sales to increase at a slightly lower rate than in the first half.

● Credit Agricole, the big bank, is to raise FFr 3bn ($320m) via the Paris capital market through a three-part bond issue. The bulk of the funding (FFr 2bn) will be in seven-year fixed rate paper with the balance spread between two sets of variable rate bonds.

Banks link in finance services venture

By James Buxton in Rome

A GROUP of Italian banks has set up a company to specialise in financial services for the retail trade in which the French group Compagnie Bancaire Cetelem will have a significant minority stake.

The new company, Findomestic, will be based in Florence. Its Italian shareholders, which hold 65 per cent of the equity of L5bn ($2.7m), are the Cassa die Risparmio di Firenze, the Banco di Sardegna, the Cassa di Risparmio di Pistoia and the leasing company Centro Leasing.

Compagnie Bancaire Cetelem will hold the remaining 35 per cent.

Findomestic will introduce into Italy financial services in the field of retail trade and distribution, and will operate alongside leasing and factoring services.

The involvement with the French company is another example of a trend in which Italian banks are forming joint ventures with French institutions to obtain specialised French know-how.

Last November, Banca Nazionale del Lavoro set up an operative leasing company with the French leasing company Innobail.

Cetelem, which operates in several parts of Europe, claims to be the biggest European consumer credit organisation.

J. Lauritzen expects heavy deficit

By Hilary Barnes in Copenhagen

J. LAURITZEN Shipping Company, which operates one of the world's largest fleets of refrigerated vessels, expects to make a substantial loss in 1984 according to a half year report. In 1983 the company made a pre-tax profit of DKr 268m ($24.6m)

Unfavourable market developments in almost all the sectors in which the company in engaged, together with the strong dollar, which has increased debt financing requirements, were blamed for a poor result. No figures were given.

The company said that the imbalance between demand and supply in its markets was likely to persist for up to two years

Price war hits Brinkmann

BY RUPERT CORNWELL IN BONN

FIERCE PRICE competition and a contracting West German tobacco market are leading to heavy sustained losses at Martin Brinkmann, the cigarette manufacturer controlled by the Rothmans group.

The concern, whose share of the German cigarette market has s'i)ped to 12.5 per cent from more than 14 per cent 18 months ago, yesterday reported a loss of DM 58.5m ($19m) in the financial year to last March 31.

Mr Theo van Corkom, chief executive of both Brinkmann and Rothmans' European division, warned moreover that Brinkmann would suffer a similar loss in 1984-85. Only in the following year would its accounts be back in balance, as cost cutting measures worked through.

The company is committed to reducing its workforce by almost a third by the end of 1985 to 2,150.

How The Morgan Bank concentrates on serving major corporations in the U.K.

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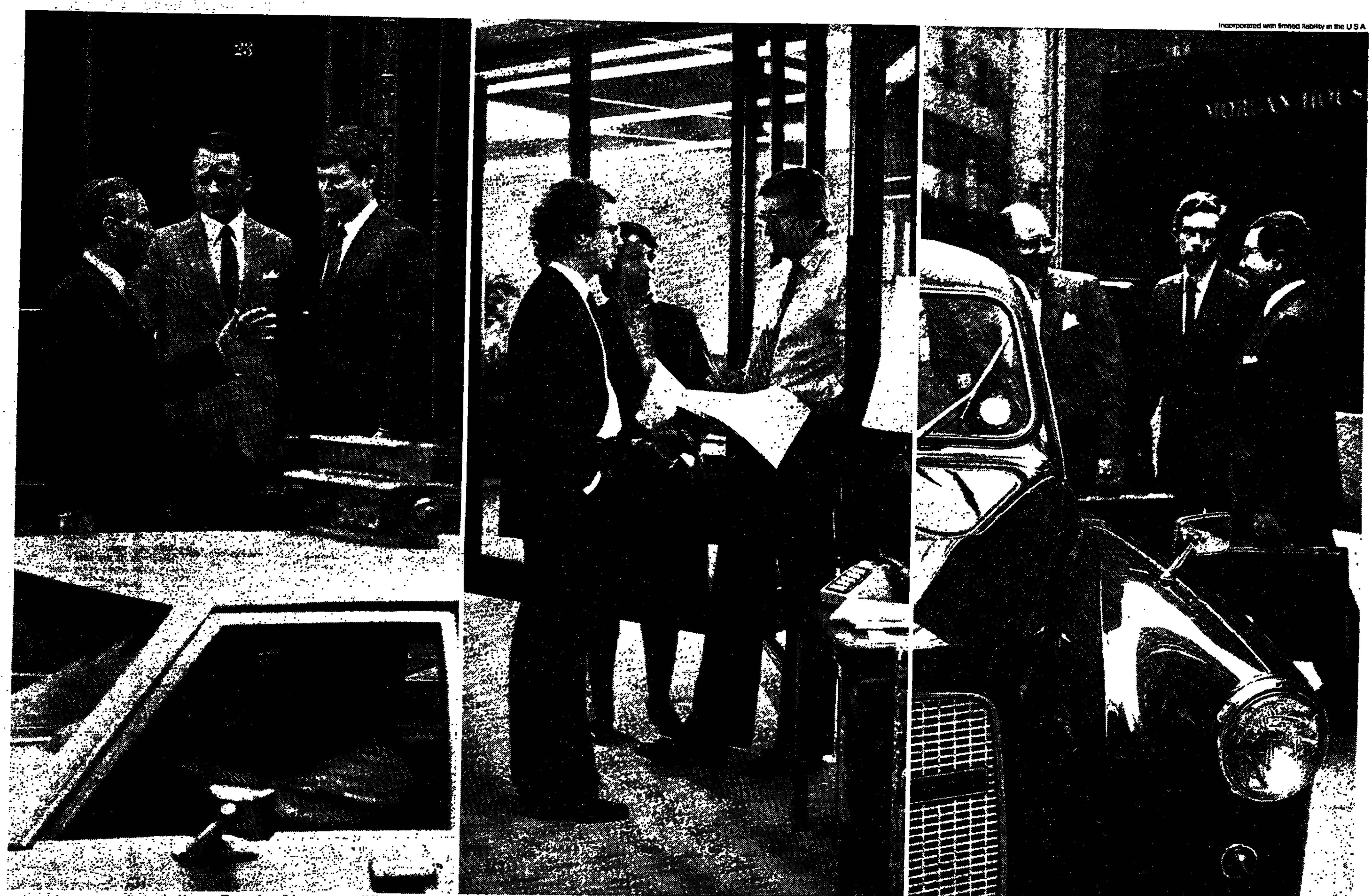

Among the Morgan officers who collaborate to serve U.K. companies, are, at left: John McColloch, U.K. corporate banking, London; Stephen Kirmse, commercial paper, New York; Harvey Struthers, U.K. and Scandinavian corporate banking, New York. Center (all based in London): Charles Dumas, Morgan Guaranty Ltd; Deborah Barton, treasury; Andrew Cartwright, U.K. corporate banking. Right: Michael Doyle, mergers and acquisitions, New York; Oliver Parr, U.K. corporate banking, London; Lam Nguyen-Phuong, financial analysis, London.

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INTERNATIONAL COMPANIES and FINANCE

Chris Sherwell reports on the formation of a powerful new publishing base

Singapore merger creates press monopoly

WHEN SINGAPORE'S three major newspaper and publishing companies announced a remarkable merger in July, the parties involved didn't know what they would call the new company, or even who would head it. The move precipitated some controversy, with journalists protesting volubly and many people thinking the powerful hand of the government was at work.

The merger document published last week, with Morgan Grenfell, the merchant bankers advising, reveals the long-awaited details. It goes to great lengths to explain the commercial logic behind what is perhaps Singapore's grandest-ever merger.

The new company, to be called *Singapore Press Holdings* (SPH), brings together two sister companies, Time Publishing and Straits Times Press, with Singapore News and Publication (SNPL). Wages have already dubbed the new company, effectively a Press monopoly, the Newspaper Authority of Singapore, an allusion to the Monetary Authority of Singapore, the government agency which controls the banking sector with a rod of iron.

SPH will have a market capitalisation of around S$1.4bn (US$647m), making it Singapore's *biggest industrial* group. It will be the sixth largest company quoted on the Singapore Stock Exchange, behind *Sime Darby, the Malaysian* plantation group, and some of the very banks which will control it. It will also be the single *largest media grou pin South-East Asia*, rich in cash and with interests around the world.

Share exchange

The chairman will be Mr Lien Ying Chow, chairman and managing director of Overseas Union Bank, and the deputy chairman will be Mr Yong Pung How, chairman and chief executive of Oversea-Chinese Banking Corporation. Both banks are among the country's "big four." The chairmen of Times Publishing, Straits Times Press, and SNPL will retain their positions, and the chief executive of the whole group will be Mr Lyn Holloway, the present managing director of Times Publishing and Straits Times Press.

The terms detailed in the document are substantially those of the original agreement. Shares in the three companies will be exchanged for shares in SPH in proportion to the three *companies'' shares prices on* June 18. At that date SNPL traded at S$5.80, Times Publishing at S$8.05 and Straits Times *Press at S$11. The document* states that these prices "reflect fairly" the earnings of the three companies.

SNPL shareholders, notably Overseas Union Enterprise and its associate Overseas Union Bank, will receive 1,000 shares of S$1 *SPH* for each 1,000 they own. Similarly, Times Publishing shareholders—notably Great Eastern Life Assurance, part of *the OCBC "stable" of companies*, and Telecoms, the government telecommunications agency — will receive 1,388 *shares in SPH for every 1,000* held and Straits Times Press shareholders will receive 1,896 for every 1,000 held.

All *shareholders will meanwhile* receive a handy second interim dividend upon completion of the deal in December. SPH, *with an authorised capital* of S$500m, will have a paid-up capital of S$243.25m.

Last week's document confirms that Straits Times Press has dropped plans to start an afternoon English-language newspaper, and is reviewing plans to publish a Chinese morning paper. Both would *have competed directly* with existing SNPL newspapers. SNPL is meanwhile reviewing plans to publish a morning *paper that would have* taken on the mighty Straits Times.

Estimates published in the document suggest that shareholders in Times Publishing, Straits Times Press, and SNPL would all have suffered a substantial reduction in net earnings per share *if competition* between them had simply gone ahead. This is because of the effects on advertising revenues, *promotional expenses and depre*ciation charges for duplicated equipment.

Competitive element

While both Straits Times and SNPL shareholders stand to see lower earnings after the merger, the document makes clear that even lower returns could have been expected if the two companies had continued with their separate and conflicting expansion plans.

However, this begs the question of what might have happened if one or other had simply backed down from a costly circulation struggle, trimmed its costs or even been taken over by another company. *These alternatives* are not examined.

According to the document, the directors of the three *companies "recognise* the benefits of a competitive newspaper industry" and believe the merger can preserve a *competitive element so that the* individual newspapers will continue to compete with one another in the standards and *quality of their journalism*, and for readership and stories."

Nevertheless, it now seems likely that no two newspapers *among the total of* 10 being published will compete for the same market. Instead there will be an "upgrading of editorial content" and the development of "common ideals for newspapers."

As for the powerful new publishing base being created, the document offers no profit projections. But a pro-forma statement of estimated consolidated profits for the year to August 1984 for the three companies shows turnover of S$603.8m and group pre-tax profits of S$124.5m, of which 44 per cent comes from the giant Times Publishing.

Record net profits at Brierley Investments

By Dai Hayward in Wellington

BRIERLEY INVESTMENTS the master company of Mr Ron Brierley with operations in New Zealand and Australia, has reported a record after tax profit for the year to June of NZ$46.6m (U.S.$22.7m)—a rise of 84 per cent over last year's NZ$25.4m.

A final tax free dividend of *5 cents a share* is to be paid making a total dividend of 7.5 cents a share. The directors say they aim to raise future dividends to 10 cents a share.

Although the devaluation of the NZ dollar in July reduced profits by NZ$1.6m and *increased international debts* by NZ$5.2m, the contribution from Industrial Equity (IEL), the Australian subsidiary *increased by NZ$3.7m.* There was also a gain of approximately NZ$12m on the increased book value of IEL's *assets expressed in local* currency.

The company plans to raise NZ$66m through a one-for-five rights issue at NZ$2 a share. It also plans to make a one-for-five scrip issue.

After the new issues the paid up capital of the company will be NZ$119m in 238m shares.

The issues announced yesterday are the largest ever made by Brierley but the directors say their size should be compared with the "obvious momentum of our increased scale of operations."

Pre-tax profit for the year was NZ$111m compared with NZ$50m in the previous year. Tax paid was NZ$21.3m compared with NZ$5.1m in 1982-83.

The report by the directors underlines the extent of Brierley's expansion during the past 15 months. Since June 1983 it has made 15 formal takeover offers, of which seven have been successful and two are still current.

Saudis plan flotation of industrial company

BY DOUG GRAHAM IN RIYADH

A PUBLIC EQUIVALENT of the essentially *state-owned* Saudi Arabian Basic Industries Corporation (SABIC) has been officially announced by Mr Abdul Aziz al-Zamil, the Minister of Industry and Electricity. National Industrialisation Company (NIC) will be capitalised at US$171.4m.

The shares in NIC are to be offered in the first week of December for a period of a month. The 121 founders of NIC, which include E. A. Juffalis and Brothers, and National Commercial Bank, will own 25 per cent of the company. The remaining 75 per cent will be floated by the Consulting Centre for Finance and Investment in Riyadh, which is emerging as a quasi-stock market.

Dr Mahsoum Jalal, the chairman of NIC, originally tried to secure government participation in NIC. The Public Investment Fund, the *General Organisation* for Social Insurance, Sabic and the state pension fund were between them expected to buy a total of 20 per cent of NIC. However, when Saudi Arabia's Council of Ministers finally approved NIC last month, plans for government *participation* were cancelled.

The reason for this said Mr Al-Zamil, was that the government considered that there was enough public demand to launch the company. When Sabic offered 20 per cent of its shares to the public earlier this year, the US$571.4m issue was oversubscribed three times. The government later offered another 10 per cent of Sabic to the public.

NIC intends to co-operate *closely* with Sabic which was established to provide basic materials for Saudi's industrialisation. NIC's products will use some of Sabic's output as part of this industrialisation programme.

NIC intends to integrate *some of its* plants with Sabic to achieve greater efficiency. Like Sabic, it will rely on foreign partners to help market output.

Mr Al-Zamil said companies dealing with NIC will have access to all the states in the Gulf Co-operation Council.

NIC, it is hoped, will be a prime candidate for investment as it should be attractive to American contractors seeking Saudi partners to implement the *Offset Investment* Programme. This is a Saudi plan requiring American companies bidding on the support system *for the* AWAC's surveillance aircraft to offset its costs through investment in Saudi Arabia.

U.S. companies will be required to invest over U.S.$500m to offset the U.S.$3.94bn command control, communication and intelligence (C3I) system for the AWAC's and NIC plans to play an important role in this investment activity.

NIC is expected to invest in Saudi industries together with foreign partners. Dr Jalal said *the ideal percentage of foreign* partners, capital will be 30 per cent in each project *although* foreign participation of up to 50 per cent will be permitted. NIC already plans to invest 9 per cent in a Saudi pharmaceutical company, 45 per cent in an oil refinery operation, and 20 per cent in an already existing chemical fertiliser plant.

Other possible projects include synthetic rubber production in partnership with a French company, steel pipes in partnership with a Japanese company, and metal wire with a West German company. NIC is also prepared to enter fields as diverse as the manufacture of tractors, paper, steel pipes, and aluminium pellets.

Fight for control of Kamunting

BY WONG SULONG IN KUALA LUMPUR

A FIGHT for the control of *Kamunting Tin Dredging* is shaping up between Malaysia Mining Corporation (MMC), the country's biggest tin company, and a *group of Malaysian and* Singaporean shareholders

The opposition group, led by Datuk Koh Kim Chai, a lawyer turned *businessman*, won the first round last week when Datuk Koh and Mr Philip Nainan, his associate, were elected to the Kamunting board instead of two MMC nominees.

Following this victory, the group is now seeking an extra*ordinary general meeting in the* next 21 days to discuss, among other things, the removal of the remaining three MMC members *on the board, the appointment* of Datuk Koh as managing director, and the termination of Pernas Charter Management, *the MMC management company*, as managers for Kamunting.

Datuk Koh's group is believed to hold 30 per cent of Kamunting's 4m shares of 50 cents each, while MMC holds 24 per cent.

Kamunting has been an *investment company since its* tin deposits were exhausted in 1982. Datuk Koh's supporters feel MMC has failed to seek *new areas of business for* Kamunting.

Datuk Koh joined the Kamunting board in September *last year*, and has proposed several timber and property acquisitions for the company, but these have been rejected by the MMC directors recently and this has sparked off the board battle.

TNL to raise NZ$14m for new airline venture

BY OUR WELLINGTON CORRESPONDENT

TNL, A *MAJOR* New Zealand tourist and transport company, is to raise NZ$14m (US$6.8m) from a share issue to existing *share holders* to finance the formation of a new independent airline.

Recent changes to New *Zealand* aviation regulations have opened the way for more independent operators. TNL is the parent company of Newmans, the country's largest tourist operator and the proposed airline, ' to be called *Newmans Airways will fit into* the company's existing tourist operations.

The offer of one new share for every five existing TNL shares will be made at NZ$2—a premium of NZ$1.50. Part of the proceeds will be used to buy two Dash Seven airliners from De Havilland of Canada. Funds will also be used to buy tourist passenger coaches and to build new coach and camper van terminals.

U.S. aids a Canadian group to flex its muscles, writes **Ian Rodger**

Alcan lines up industry leadership

MANY CHILDREN outgrow their parents in only a few years. But it has taken Alcan Aluminium of Canada over 30 years to outstrip its former U.S. parent, the Aluminium Company of America (Alcoa).

Last week's consent decree with the U.S. Department of Justice enables Alcan to proceed with its proposed acquisition of most of the aluminium assets of Atlantic Richfield, including a 163,000 tonne smelter in Kentucky, subject to last minute hitches.

That would raise Alcan's world-wide capacity to roughly 2.2m tonnes, well clear of Alcoa's 1.96m tonnes.

Behind this symbolic milestone is a much more significant one. With the acquisition of the Arco assets, Alcan will realise its goal of becoming a significant force in the vital U.S. market for aluminium products. And with its strong presence in western Europe the company could soon dominate the world aluminium industry.

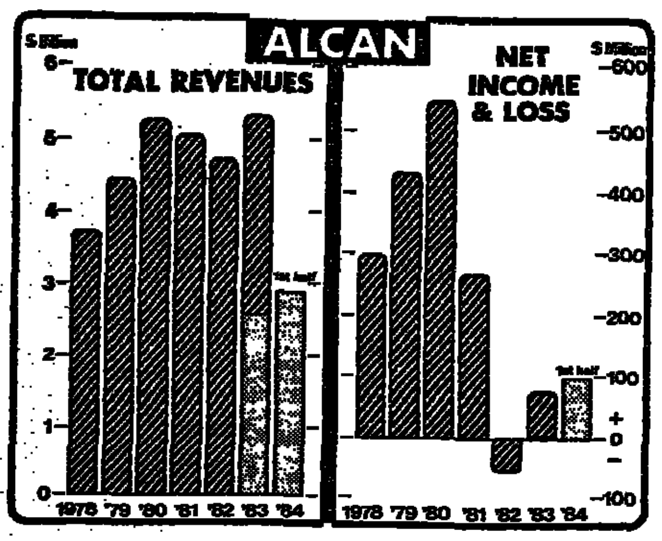
Alcan's competitors have become increasingly uneasy about the company's surge in recent years but the real surprise is that it has taken so long to happen.

Ever since the first oil crisis in 1973, it has been clear that the aluminium industry's future belonged to Alcan. Energy costs are crucial to the smelting of this metal, and Alcan, with its immense endowment of hydro-electric resources in Quebec and British Columbia, has been almost completely insulated from the huge increases in energy prices that have bedevilled everyone else.

It is not clear why the company was so slow to capitalise on its advantages. To a large extent, it was a function of history and management culture. Alcan was created as a result of a U.S. anti-trust decree in 1950, obliging Alcoa to sell off its interests outside the U.S.

For the next quarter-century, Alcan managers sat comfortably in Montreal and, in the best Canadian industrial tradition of hewers of wood and drawers of water, concentrated on operating their smelters and taking orders for ingots.

They were content to be the swing supplier of ingot for the convenience of Alcoa and the other giants of the world aluminium industry, Reynolds Metals and Kaiser of the U.S., and to a lesser extent, Pechiney of France and Alusuisse of Switzerland.



When orders were strong, Alcan operated flat out. When markets declined, Alcan dutifully was the first to cut production while the others kept going.

Although it was free to enter U.S. markets it did not invest in plant there until 1960. And even today it has more assets in Britain than in the U.S. It is only the fourth largest aluminium supplier in the U.S. market, with a less than 10 per cent share.

Many analysts suspected this situation would change quickly following 1973, but it did not. Apart from the time it takes to make a large organisation change direction, there were two other special factors at work. First, Alcan took two lengthy and damaging strikes in the late 1970s, which distracted management from more strategic matters. Second, the aluminium industry as a whole was distracted by an initiative by bauxite manufacturers, led by Jamaica, to set up a cartel along the lines of the Organisation of Petroleum Exporting Countries (OPEC).

Thus, in the late 1970s, the major producers tended to forget about the importance of energy costs and rushed instead to build smelters in areas, mainly Australia, where bauxite supplies would be secure.

The long and deep recession of the early 1980s, coming after the second oil crisis in 1979, ended these distractions. The restructuring of the world aluminium industry finally got under way.

Japanese producers, who had the highest energy costs in the world, were the first to close smelters but U.S. companies soon followed, shutting dozens of high cost pot lines. Several new smelter projects in Australia and Brazil were cancelled or deferred. Total production in the non-Communist world tumbled from 12.6m tonnes in 1980 to 10.5m tonnes in 1982.

It was the kind of situation in which Alcan, under its traditional benevolent strategy, might have made heavy shutdowns. But to the shock and dismay of its competitors, it did not. On the contrary, it continued to operate close to full capacity. And when competitors complained that the company was being irresponsible, Mr David Culver, the chairman, retorted that Alcan, as low cost producer, should be the last to cut output. The company also had a responsibility to its workforce and, as long as it could produce and sell ingot profitably, it would be irresponsible not to do so.

Alcan's sense of responsibility to its workforce has sometimes seemed to grow in direct proportion to the Quebec Government's interest in the company. Alcan's natural advantage in the world aluminium industry derives entirely from its low-cost energy.

By way of illustration, a pound of aluminium ingot today sells for about 55 cents (U.S.). In the best smelters, such as Alcan's new one at Grande Baie, Quebec, about 7 kilowatt hours of electricity are needed to make a pound of aluminium. Alcan's electricity, from its own generators on the Saguenay, costs about 3/10ths of a cent per kwh. That works out to just over 2 cents per pound of aluminium. The Japanese, who have wisely decided virtually to get out of the aluminium smelting business, pay up to 8 cents per kwh, or nearly 60 cents a pound, on electricity. And in the depths of the recession in 1982, the ingot price was less than 50 cents. Average electricity costs for aluminium producers in Europe and the U.S. are believed to be around 2 cents per kwh.

From time to time, Quebec politicians have thought of nationalising Alcan in an attempt to increase the return to the province on its assets, but in the early 1980s evidence of a more subtle strategy appeared. The state pension fund suddenly emerged as the largest Alcan shareholder with a 7.5 per cent stake.

Was this a way of telling Alcan managers that they had better make the most of Quebe's assets? Nobody has ever said. Mr Culver insists that the fund has never tried to exert any muscle as a shareholder.

Suffice it to say that the Quebec Government must today be delighted with Alcan's behaviour. The company came through the recession with virtually no lay-offs in the province, it has embarked on a long term programme to modernise its Quebec smelters and it is consolidating its competitive position in the world.

This year as ingot prices have slumped a number of smelters in the U.S. and Europe have been shut while Alcan has kept its smelters going, confirming the transfer of the swing role away from the Canadian company.

Competitors are not happy with Alcan's new willingness to flex its muscles but they acknowledge they would do the same thing if they were in that position.

UK COMPANY NEWS

Sears Holdings modest improvement

FIRST HALF profits of Sears Holdings, Britain's biggest shopkeeper with more than 3,500 retail outlets in the UK, showed only a "modest" increase over those of the previous year but the directors say they are, nevertheless, satisfied with the results.

They point out in their interim statement that the opening half of 1983 was an exceptional trading period in which the group raised its profits by 70 per cent compared with the corresponding half of 1982.

Shareholders are told that the maintained level of profits in the first six months of this year, to July 31, was achieved against a background of mixed trading conditions.

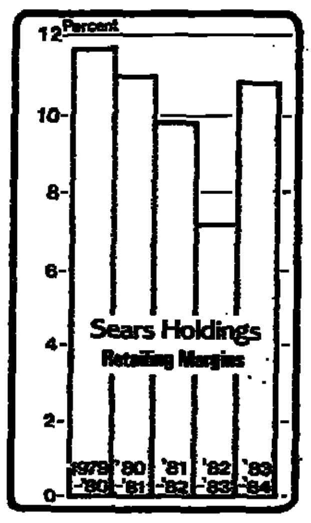
On an 11 per cent rise in turnover to £949m (£857m), excluding intergroup sales, profits at the pre-tax level improved from £60.3m to £62m.

The directors say the results justify raising the net interim dividend from 0.7p to 0.8p per 25p share.

During the period UK retailing was weak in the provinces with the miners' strike having an adverse effect on consumer spending.

Retailing in London and the Home Counties showed satisfactory increases over last year enhanced by overseas customers, particularly in London.

In the U.S. the improvement in footwear sales was less than anticipated and the acquisition in May of this year of an additional 115 outlets carried the costs of integration and updating of merchandise.



Joint chairmen, Mr Leonard Sainer and Mr Geoffrey Maitland Smith, say although the miners' dispute and relatively high interest rates continue to cause concern, trading in the second half has started favourably.

They point out that ranges of autumn fashion clothing and footwear have been well received which will help the group to benefit from any increase in levels of consumer spending in the important last three months of the current financial year.

A divisional breakdown of trading profits (£59.2m, against £59.7m) shows: footwear retailing £30.2m (£32.6m), department stores, jewellery and other retailing £10.7m (£8m), motor vehicle sales, service and delivery £5m (£4.5m), licensed betting offices (William Hill Organisation) £5.5m (£8.7m), property development and investment £6.8m (£5.6m) and engineering £1m (£0.3m).

Sears' retail outlets include Freeman Hardy and Willis, Lilley and Skinner, Dolcis, Selfridges, Wallis, Olympus Sportswear and Mappin and Webb. The group's major subsidiary, British Shoe Corporation, is Europe's largest footwear retailer.

Pre-tax results were struck after deducting interest of £1.1m (£1m) and adding a £1.4m (£0.6m) share of related company profits and non-trading items of £2.5m (£1m).

Tax accounted for £26.5m (£26m). Earnings per share edged ahead to 2.6p (2.5p).

In a statement following the results Mr Maitland Smith said that last month's sudden change in the weather had brought a "welcome" profit boost for the group.

Mr Leonard Sainer, joint chairman of Sears Holdings

He revealed that since the middle of September retail turnover had increased "quite dramatically." Compared with the same period last year he said store sales had jumped by 20 per cent and footwear turnover by around 15 per cent. Better results are also being seen on the betting front.

See Lex

Bowthorpe £3m lift helped by U.S. markets

Bowthorpe Holdings, electrical and electronic components group, has increased its pre-tax profits for the half year to end-June 1984 by 44.6 per cent, from £6.85m to £9.91m.

Sales responded to better trading conditions generally, and with a stronger momentum overseas, surged to a new group peak of £52.56m, compared with £41.21m for the corresponding period.

Stated earnings per 10p share rose from 7.9p to 12p, and the directors are lifting the interim dividend by 0.23p to 2.07p.

The group made an operating profit of £8.14m, compared with £6.52m, of which the profits of related companies rose substantially from £39,000 to £335,000. Interest and similar income generated £1.77m against £335,000.

The directors say that with only three months of the year remaining there is every indication that 1984 will be an outstanding year for the group both in profits and sales.

The U.S. is now a major source of income for the group, which is in line with its investment strategy. In June the chairman, Mr Ray Parsons, expected a record year of trading and profits there. The board anticipates that the company will soon complete the acquisition of SBD Electronic Systems of the U.S. This company has exceeded the stipulated profit forecast.

In addition, negotiations are at an advanced stage for the purchase of a number of companies in the U.S. and in Europe in the electronic component manufacturing field.

Tyton of Japan maintained the momentum of 1983, the directors say, and again increased profits, while Compagnie Deutsche benefited from its policy of rationalisation and tighter management control by making a small profit contribution.

Tax took a higher £4.29m (£3.21m), and minority shareholders' interest jumped from £162,000 to £290,000.

● comment

It was not the 45 per cent jump in pre-tax profits which provoked a 23p leap to 368p in Bowthorpe's share price yesterday. Excellent trading results had been expected and were duly delivered. But the City had underestimated or forgotten about how much money this cash-rich group had salted away in a Channel Islands roll-up fund, whose liquidation yielded a £1m-plus profit. There are difficulties still in Australia and South Africa and in the French associate, but these pale into insignificance when compared with the group's strong performane in the UK and in the U.S. This is of course a period of unprecedented demand for electrical and electronic components but two factors give Bowthorpe extra attractions for investors. First it unbroken profits record through the last recession; second, its exposure to many industrials including defence. For the year £20m pre-tax is in reach, which, on a 43 per cent tax charge, puts the shares on a multiple of 15—the price of quality.

'Outstanding year' ahead after Christie's 86% rise

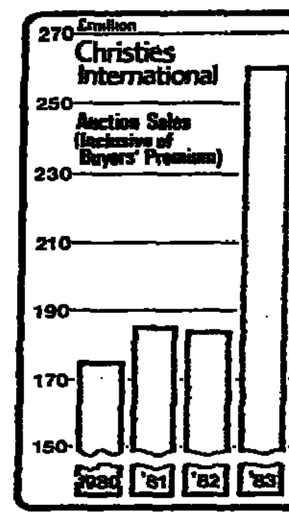
PRE-TAX PROFITS at Christies International surged by 86 per cent in the six months to June 30 1984, and the directors of this fine art and philatelic auctioneer, say that with continuing confidence in the international art market, all the indications are that 1984 will be "an outstanding year."

The period, which incorporated the disposal of Drukkerij Onkenhout BV, saw profits grow from £4.13m to £7.66m and turnover from £21.13m to £28.55m. Group auction sales totalled £159m, £40m up on last time, of which more than half came from the U.S. with sales of £82.8m, exceeding the combined total for the UK and Europe.

To some extent, say the directors, the figures from the New York office were boosted by the exchange rate—in U.S. dollar terms its sales rose by $35.3m to $112.7m.

Shareholders are to receive a 0.5p boost in the interim dividend to 3p net per 10p share, following on from last year's 8.5p total. Earnings are quoted at 16.59p per share, up from 7.97p.

Regarding the disposal of the Victoria warehouse, the planning appeal was determined and as a result an extraordinary item of approximately £1.2m will arise in the current half. This has



already got off to a "resounding start" with the £21m sale of the Chatsworth drawings.

Operating profit emerged sharply ahead at £7.21m against £3.88m, and was further boosted by net rental income £20,000 (£23,000 deficit) and net interest received £430,000 (£265,000).

The company said substantially more in tax at £4.22m against £2.47m to leave the net surplus at £3.4m against £1.63m after minorities of £47,000 (£31,000).

● comment

The rise of Christie's continues to astonish, in terms of profits and share prices alike—yesterday's 14p jump to 452p is easily a saleroom record. The group's caution about forecasting the full year can readily be understood, particularly given that the £21m Chatsworth sale—which falls in the second half—was expected by Christie's to realise only a third as much. Hereafter, the group's progress seems as ever dependent on a rather specialised version of the economic cycle; the U.S. calls the tune, particularly in respect of impressionism and after. Granted, Christie's seems to have been winning back market share against its main rival Sotheby's—particularly in the U.S., where it now claims to do around 80 per cent as much business as Sotheby's despite a late start in 1977. In terms of quality of earnings, though auctioneering smacks as much of stockbroking as anything else—a fact recognised in these figures by a highly cautious dividend cover of 5.5 times. Indeed, on a running yield of just 2.8 per cent, the shares might qualify for one of the axioms of alternative investment—buy them if you like them, but otherwise not.

AJ Worthington takes measures to stem losses

A. J. Worthington (Holdings) contained its losses for 1983-84 at virtually the previous year's level. However, losses are still being incurred and measures are being taken to stop them rising further.

On his appointment as chairman last month, Mr S. Friedland found it necessary to introduce £150,000 to the group's bankers.

The directors point out that the accounts for the year to March 31 1984 were drawn up on a going concern basis on the assumption that the facilities available to the group by its bankers for the three months to end-December 1984 would continue for the remainder of the financial year to March 31 1985.

Turnover for the past year totalled £2.17m (£2.51m) and losses at the pre-tax level amounted to £257,836 (£253,844)—the group manufactures textile products.

The existing textile operations at Leek, Staffs, consisting of the manufacture of threads and a wide range of narrow fabrics, are being consolidated into one building.

The directors intend to support and develop this enterprise

T & S Stores joining USM with 29% share placing

BY ALISON HOGAN

Barclays Merchant Bank is bringing to the Unlisted Securities Market T. & S. Stores, a successful chain of shops selling cigarettes, confectionery and greetings cards. It was founded by Kevin Threlfall and David Lockett-Smith in 1975 when they opened a cut-price cigarette kiosk in Wolverhampton and will now have a market capitalisation of £7.2m.

Threlfall had already gained valuable experience of the retail market as co-founder of Lo-Cost Discount Stores where as buying director he introduced cut-price cigarette kiosks into the stores. He made £250,000 when the company was sold and devoted himself full time to T and S in 1978 by which time the company had eight stores in the West Midlands and had expanded to include confectionery, greetings cards and newspapers.

Stephen Boddick had joined the company by then as finance director.

The three directors have evolved a successful retail formula with stock control highly computerised and large volume sales which allows them to generate cash out of creditors. "We take no products where we finance the stockholder," said Threlfall.

A careful choice of sites with high pedestrian flow; and bulk buying and distribution from their own central warehouses, has resulted in improving profitability year on year.

Tobacco accounts for 85 per cent of turnover and around 50 per cent of profits with gross margins of around 4.5 per cent. The other products achieve a much higher margin of around 15 to 20 per cent.

The company is cash strong with over £2m at the interim stage and is not raising any new money. The directors feel a quotation will improve business opportunities, both in attaining quality sites for stores and in buying other chains if the opportunity should arise.

Their aim is to have 100 stores by mid 1987, financed out of earnings. They forecast pre-tax profits of £750,000 for the year to January 5 1985, up from £320,000, on turnover ahead from £25.68m to £35.5m. They are placing 2.32m shares equal to 29 per cent of the issued share capital at 90p per share giving an actual tax p/e of 16.5 and a 4.2 per cent yield.

De Zoete & Bevan are brokers to the issue and dealings are expected to begin on Monday October 15.

● Two offers for sale closed comfortably oversubscribed yesterday. Iceland Frozen Foods attracted applications for more than 50 times the number of shares on offer while the Scusa offer of equity valued at £11.6m shut with the level of oversubscription running well into double figures.

See Lex

Post Office fund cuts U.S. holdings

BY ERIC SHORT

THE BUOYANT U.S. equity market in 1983 prompted one of Britain's largest financial institutions, the Post Office Staff Superannuation Scheme, to readjust its worldwide equity portfolio to reduce its exposure to North America.

The annual report and accounts of the scheme for the year ending March 31, 1984 stated that the strong performance of overseas share prices had resulted in the value of the overseas equity portfolio rising to a proportion of total assets that was regarded as excessive by the trustees.

Accordingly about a third of the U.S. portfolio was sold in the final quarter of the financial year, accounting largely for the net £73m ($89.8m) disinvestment in overseas equities during the year.

The scheme also continued to reduce its holdings in Japanese blue-chip export-oriented stocks and diversified into domestic related sectors. Holdings in Canadian and Australian stocks were reduced.

The report showed that the net value of overseas equity holdings dropped slightly during the year from £371.4m to £365m, the net disinvestment being offset by substantial capital appreciation. The total value of the scheme's assets rose over the year from £2.68bn to £3.26bn, leaving overseas equities around 11 per cent of the total – slightly above the target level of 10 per cent.

The scheme's largest single-sector investment was made in index-linked gilts – some £98m of the £242.5m total investment being in that sector, despite the low real yield on these stocks of around 3 per cent. The trustees feel that index-linked stocks provide a protection against future inflation and should represent a sizable holding in the portfolio.

Index-linked holdings at present amount to £304.5m – 9 per cent of the fund, compared with an ultimate target of 15 per cent.

A further £64m was invested in UK equities, bringing total UK equity values in the scheme to £1.4bn. Nearly £52m invested in property brought the property portfolio to £642m.

The overall yield on the assets was 21.8 per cent – close to the average return for large funds in the Wood Mackenzie performance measurement analysis.

The report also shows that the total membership of the scheme exceeded 317,000, of which 175,000 were employees and nearly 100,000 were pensioners.

Emess set for significant rise

IN HIS interim report covering the six months to June 30 1984, Mr Michael Meyer, chairman of Emess Lighting, tells shareholders that he anticipates a "significant" improvement in profits for the full year.

Figures for the opening six months rose to £335,000, an advance of 60 per cent over the £210,000 returned for the corresponding half of 1983.

The period saw a strong performance by the lighting companies. Continued product development, increased market share and tight control over costs all contributed to the result.

The second half has begun encouragingly with the lighting companies continuing to show substantial growth. Cash flow and return on capital employed remain "good."

Turnover for the half year moved ahead from £2.42m to £3.82m — the group, which acquired Michael Black, a Glasgow-based electrical wholesaler, for £3.3m last March, sells its own and imported decorative lighting fittings.

The results included a three-month contribution from the electrical wholesale division. A "satisfactory" performance is expected here during the remainder of the year.

Earnings rose from an adjusted 5.9p to 6.5p and an interim dividend of 2p net is declared per 25p share. For the previous 18 months dividends equal to 6.25p were paid.

Tax took £49,000 (£46,000) to leave net profits at £286,000 (£164,000).

● comment

The Michael Black acquisition came in too late to contribute much to Emess's 60 per cent increase in taxable profits, although it could well chip in £250,000 for the year. Emess aims to more than double the acquisition's 12 per cent return on capital by nibbling at overheads and disposing of surplus property, which should raise £1m in the current half and wipe out group debt. There is also the prospect of routing Emess products through Black's wholesale outlets in the north. Meanwhile, Mark and Spencer's recent decision to plug in to the lighting market has set the sparks flying among Emess's retailing customers. As a result of their attempts to gear up to the new challenge, and with the help of a move into table lamps, Emess expects lighting turnover to grow by 60 per cent to £6m this year. That points to full-year profits of around £900,000 pre-tax, which leaves the shares, up 15p to 165p, on an undemanding multiple of 9.4, assuming 15 per cent tax rate.

UK Provident increases bonus rates

UK Provident, a leading UK mutual life company, has increased the interim bonus rate on its individual and personal pension contracts, as from October 1 1984 by 35p to £6.05 per cent of the basic benefit and attaching bonuses.

However, it has reduced the terminal bonus rate for those pension policies in force less than 10 years when the pension commences, though for 10 years or more, the rate remains at 60 per cent of attaching bonuses.

The company has also improved slightly its premium rates on its pension contracts—also from October 1.

The moves by UKP will intensify the already keen competition among life companies for individual and personal pension business.

Since the ending of tax relief on life assurance premiums in this year's Budget, life assurance salesmen have been devoting more effort in selling pension contracts to the self-employed and to executives. Competition for this business has become keen between life companies seeking to offset the decline in life assurance sales.

UKP is now among the top performing traditional life companies both on past performance and on future projections, and it has announced to the intermediaries that it intends to stay there.

It is only three months to the time when traditional life companies announce their full reversionary bonus rates for 1984. The bonus rate for 1984 from UKP on its pensions business is highly unlikely to be less than the increased interim rate.

It will be interesting to see if other life companies react immediately or wait until they make their full declaration.

SE listing for CalFed

The common stock of CalFed, America's fourth largest savings and loan institution, will be listed on the London Stock Exchange starting today.

CalFed, which has assets of $17bn and a net worth of $900m, transformed itself from a mutual to a joint stock company last year, and is now seeking to make itself better known in major foreign financial markets, according to Mr Robert Dockson, chairman and chief executive.

He said the recent problems of FCA, another large California savings and loan, had not affected CalFed's plans.

"We are different, and we are keen to get that message across," he said.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bowthorpe Hldgs	int	2.07	Dec 19	1.84	—	4.68
Brit Dredging	int	1	Dec 17	1	—	2
Campari Intl	int	0.5	Nov 19	0.5	—	1
Christies	int	3	Nov 27	2.5	—	8.5
Comcap	int	0.4	Dec 14	—	—‖	—
Emess Ligt	int	2	Nov 29	—	—	6.25¶*
English Property		12.9	—	Nil	12.9	7.57
Grosvenor Gp		3.5	Jan 7	3.25	5.75	5.25
Harris Queensway		1.25	Nov 30	1.13*	—	3.5*
T. C. Harrison	int	0.62	Dec 31	0.62	—	2.3
S. Jerome	int	0.69	Nov 29	0.69	—	2.69
Lawtex		0.75	—	Nil	1.5	Nil
Prestwich Parker†		0.7p	—	Nil	—	Nil
Sears Holdings	int	0.8	Dec 10	0.7	—	2.5
Senior Eng	int	0.75	Nov 30	0.75	—	1.5
Steel Burrill Jones‡	int	1.5	Nov 22	—	—**	—

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 18 months to December 31 1983. ‖ Final 0.6p forecast. ** Final 3.4p forecast.

UK COMPANY NEWS

Harris Queensway thinks electric

Harris Queensway has finalised plans to open its own electrical discount store chain following an abortive takeover attempt of the Comet Group earlier this year.

The announcement accompanies Harris's interim statement showing record taxable profits of £12.03m, against £9.34m, and follows hard on the heels of a recent tie-up with Debenhams.

Dagenham, Essex, has been chosen to house the first of the electrical stores, which is due to open next month with a total sales area of 7,500 sq ft.

In addition to this, Harris is further expanding its furniture operations through the acquisition of the holding company of Brown Bear, Loxmill, for £5.5m.

Brown Bear currently operates six furniture superstores in the UK at edge-of-town locations. Although the company suffered losses of £945,000 before tax in the six months to last March, Harris says that there are benefits to be derived from the joint operation which will enable Brown Bear to trade profitably.

Brown Bear, which has never made a profit, was headed by Mr Richard Northcott who cut his teeth on the DIY retail market with Dodge City, which he sold to F. W. Woolworth for £20m in 1981.

Mr Gerald Ronson, chairman of the Heron Corporation, acted as an intermediary in the Brown Bear deal and is currently engaged in a number of property deals with Harris Queensway.

Mr Phil Harris, chairman of Harris Queensway, says that established group businesses over the six months to June 24 1984 continued to make progress.

Queensway which now has 86 stores and is the largest contributor to group profits, achieved higher results and Mr Harris points out that there is "still room for further significant improvement."

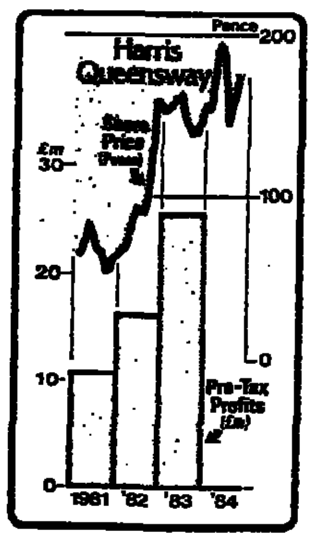
Harris Carpets kept pace with their record 1983 results and Carpetland and General George divisions improved their share of the carpet market.

Elsewhere, Harris Furnishing continued to be successful and Poundstretcher's results were ahead of the corresponding period. Home Textiles, which now trades from 18 stores, is due to be further developed.

Mr Harris tells shareholders that the results, achieved on turnover £29.12m higher at £132.99m, and future propsects justify an effective increase in the interim dividend from 1.125p to 1.26p. Earnings per share rose from 4.49p to 5.06p.

He points out that the profits include no contribution from the recent acquisition of controlling interests in Debenhams Furnishings and Greens Leisure Centres.

Looking ahead, Mr Harris says he expects both joint ventures to show a "reasonable contribution" in 1985 and stresses that he is determined to create his own electrical chain, having lost Comet to Woolworth. Harris'



profits in 1983 reached £25.62m.

He believes the future of electrical stores is in out-of-town locations and consequently has no intention of becoming involved in the High Street battle between Currys and Dixons.

Part of the attraction is buying Brown Bear, he says, is in 14 planning consents.

Harris's taxable profits for the six month period included property transaction profits of £364,000 (£182,000) and net interest receivable of £322,000 (£146,000). Tax took £5.07m (£3.66m) and minorities accounted for £73,000 (£24,000).

● comment

Harris Queensway may have failed to land Comet and there is no intention of bidding for Currys (at least for the present). But the desire to build a substantial electrical retailing business remains as strong as ever. Following the Debenhams deal, HQ is treading its own path with the launch of out of town large discount stores. The first Ultimate opens its doors next month and there should be four or five by the year end. Yet Harris seems willing to forego profit margins for two or three years to buy itself into the market so it will remains the task of the traditional carpets and furniture operations to maintain the profits momentum over the next couple of years. And here HQ shows itself as alive as ever to pursuing a "deal." The Brown Bear purchase, with Mr Ronson standing in the middle as broker, smacks of opportunism rather than long term strategy. That gets the sceptics going again but in essence HQ remains a highly successful retailer which will make profits of around £33m this year and could break the £50m level by 1986—even without any more acquisitions. A prospective p/e of around 13 at 176p is not over-rating the management's ability to sustain a high performance.

TC Harrison hit by heavy discounting

HEAVY DISCOUNTING, which shows no signs of abating, and generally difficult trading conditions have trimmed T. C. Harrison's first-half profits by £272,000 to £1.24m.

However, the interim dividend is being held at 0.62p and the directors expect to be able to recommend that the total be maintained at last year's level of 2.3p net per 25p share.

Although August did not fulfil manufacturers' expectations for new unit sales it was the group's second best month for profits—Harrison is a Ford main dealer.

It is pointed out that the introduction of new models from BL and improvements to the existing Ford range, together with the marketing support programmes from the manufacturers, should assist profits during the remainder of 1984.

The directors say that apart from the difficulties being experienced a large part of the group's operations are in areas affected by the miners' dispute.

They make no forecast of profits for the whole year but say the results will be acceptable—last year pre-tax profits edged ahead from £3.02m to £3.21m.

Turnover for the first six months reached £48.05m (£47.16m), excluding car tax, VAT and inter-group sales.

Tax accounted for £574,000 (£764,000) and earnings per share amounted to 2.95p (3.31p).

Bids and deals and mining news, Page24

Yearlings

The interest rate for this week's issue of local authority bonds is 10⅛, down ⅛ from last week, and compares with 9⅞ per cent a year ago. The bonds are issued at par and are redeemable on October 16 1985. A full list of issues will be published in tomorrow's edition.

Miners' strike checks Senior Engineering

THE MINERS' strike has had, and is continuing to have, an impact on results at Senior Engineering Group.

The company reports that operating profits for the first six months of 1984 rose from £1.77m to £2.22m, but points out that results would have been "considerably better" but for the impact of the dispute in the UK on one of its light engineering companies, Hayden Nilos Conflow.

As well as the dispute, Senior paid more in interest, suffered a fall in investment income, and incurred "heavier" exceptional costs, which reduced profits at the taxable level from £1.28m to £1.03m.

The exceptional costs, up from £68,000 to £323,000, took into account some £280,000 relating to legal costs in the U.S. in respect of action brought against the group.

After further consultation with legal advisers the company says that it still believes that any further proceedings will result in judgments "favourable to the group."

Group turnover for the period rose from £36.15m to £49.25m, interest charges amounted to £1.03m, against £828,000, and investment income fell from £410,000 to £213,000.

Shareholders will receive an unchanged interim dividend of 0.75p, which is uncovered by stated after-tax earnings of 0.7p (1.36p). Tax took £340,000 (£129,000) and dividends will absorb £739,000 (same).

Although it is difficult to predict the outcome for the year—pre-tax profits were a depressed £2.16m in 1983—the directors say that rationalisation schemes effected in the latter part of last year have helped some areas of the group to improve.

● comment

Senior's shares reacted well to these figures, jumping a brisk 2p from a fairly dreadful low of 16p. The maintained dividend came as a relief, even if wholly uncovered by earnings; indeed, the yield of 11.3 per cent has its attractions, particularly if it can be sustained. Given the company's reticence, the results are not easy to interpret, but it would appear that the effects of the miners' strike on HNC have been at least partly offset elsewhere—though it would be useful to know how far the Green's Economiser acquisition has coloured the comparison. That purchase pitchforked the group's gearing from nil to close on 40 per cent, so it is to be hoped that U.S. litigation costs, for example, will not climb above their present slightly worrying level. As to the full year, the miners' strike is evidently the great imponderable. Barring disasters, though, the company might be looking to 1985 as a recovery year.

BOARD MEETINGS

TODAY

Interims—Barry Pacific Fund, R. Cartwright, Clive Discount, Ebor Industrial, Everest, Fogarty, CT Dollar Fund, Higgs and Hill, House of Lerose, Lee Cooper, President Entertainments, Spirax-Sarco Engineering, Svenska Cellulosa Aktiebolaget Sca, Time Products, J. O. Walker, Wiggins.

Finals—Attwoods, Canadian Overseas Packaging Industries, City of Aberdeen Land Association, Portland Holdings, Safeguard Industrial Investments, Sanderson Murray and Elder.

FUTURE DATES

Interims—

Altifund ... Oct 11
Bonusbond ... Oct 15
Bronx Engineering ... Nov 5
Dupont ... Oct 17
Edmond ... Oct 17
Feb International ... Oct 18
Flight Refuelling ... Nov 2
Gerrard and National ... Oct 22
New London Properties ... Oct 11
Shires Investment ... Oct 22

Finals—

Cradley Print ... Oct 18
McKechnie Brothers ... Oct 25
Medminster ... Oct 15
Stothert and Pitt ... Oct 26
Tay Homes ... Oct 22
Thorpe (F. W.) ... Oct 11

Comcap's £1m on better margins

IN ITS first financial statement since Comcap's successful flotation last May, profit before tax has risen from £706,000 to £1.05m, or some 48 per cent, in the half-year to end-June 1984.

The improvement for this specialist computer lessor and distributor of IBM equipment came out of turnover which increased by only 16 per cent, from £10.65m to £12.37m.

Mr Ernst Schneider, the chairman, says that the sales figure for the full year may be lower than 1983, as the group is increasingly concentrating on the renting and leasing of peripheral equipment. This, he says, in addition to improving current profit levels, retains value better than the higher cost processing units, and is expected to make a significant long-term contribution to profit.

The interim dividend is 0.4p net per share, as forecast in the prospectus, when the projected total was Ip. Earnings per share were given as 5.69p (4.2p).

Operating profit was up from £769,000 to £1.18m before interest payable more than doubled to £131,000—mainly the result of non-recourse finance of operating leases funded last year.

The chairman says that throughout Europe, all group companies are currently experiencing buoyant market conditions. The sales team is being expanded, and four new trading subsidiaries were established in the past year, together giving rise to a higher level of administrative and selling expenditure at £820,000 (£495,000) in the period under review.

Tax was up from £122,000 to £194,000 to leave attributable profits at £827,000 (£589,000) after minority interests of £26,000 (£4,000). The dividend will account for £25,000.

● comment

In line with many of its computer leasing competitors, Comcap is shifting its portfolio away from processing units towards peripheral equipment, which is perceived to have a longer profit life and retain its value better. This, combined with a move towards operating leases, means second half turnover could decline by as much as 20 per cent. But the quality of earnings will improve, as already instanced by a five-point expansion in gross margins to 16 per cent. Comcap does not account for any residual values until they are realised, but hints that its current £40m portfolio, 70 per cent of which is invested in peripherals, could yield up to £3m, most of which will drop straight through to profits in the next five years or so. Despite the growing importance of operating leases in Comcap's book, most of the £3m flotation cash is still available, and the group is on the look-out for a related acquisition in computer services. Around £2.25m pre-tax looks in reach for the year, which puts the shares, up 2p to 172p, on a multiple of 16, after an 18 per cent tax charge.

Prestwich resumes dividends

THE MIDWAY improvement reported by Prestwich Parker Holdings has continued into the second half, and results for the full period to June 30, 1984 show a pre-tax turnround of £267,584 to £261,378. The board now has every confidence that the current year will see a "further significant rise."

The loss last time was £6,206, but at the halfway stage the group had profits of £128,000 (£8,000). The directors now consider that a final dividend of 0.7p net per share is appropriate — the first payment since 1980. Earnings per share are a stated 6.95p (nil).

Turnover increased from £4.64m to £6.21m. The group has traditionally been a nuts and bolts manufacturer, but withdrew from this activity at a cost of £69,973, and sold the business to Glynwed.

It still trades in industrial fasteners distribution, but the major contribution to this year's profits, some £323,299, came from the optical division created in April 1983 with the purchase of Henleys Optical Group.

The group has diversified into media rights sales since the year end with the acquisition of Palan Entertainment Corporation for a consideration of up to £900,000, depending on profit performance. Palan was headed by Mr Paul Levinson, who has subsequently become chairman of Prestwich.

There were extraordinary debits of £83,155 (£201,914) after a tax credit of £43,421 (£25,602 charge).

● comment

It might seem odd that Mr Paul Levinson, successful video, film, and television entrepreneur, should immerse his talents in Prestwich Parker. The answer is that Mr Levinson, whose stake in PPH will rise to 47 per cent if the media broking business is successful, is keen to build up a publicly-quoted group, which offers greater scope for growth by acquisition. The base of the group is the old PPH nuts and bolts business, shorn of its loss-making manufacturing company (sold to Glywed), and now concentrating on distribution. But prospects for rapid expansion are clearly greater in media and in the chain of 27 optician's shops. Following the injection of £1m by Mr Levinson, the group is strong enough to grow quickly with gearing at about 35 per cent. The shares, up 10p to 75p, change hands at a multiple of about 8½ on pre-tax profits of £850,000 for the current year and a 30 per cent tax charge. A well-priced punt on Mr Levinson.

COMPANY NEWS IN BRIEF

Although first half pre-tax profits of the **London and Edinburgh Trust** declined by £543,000 to £2.06m, the directors say indications for the full 1984 year are that figures will be substantially higher.

They explain that net rental income will increase by some 80 per cent to £1.1m and add that it is also anticipated that the new financial services division will make an effective contribution to profits.

Earnings for the first six months emerged at 9.06p (16.3p on old capital) and a net interim dividend of 2.5p is being paid—a single payment of 3p was paid for 1983 from taxable profits of £3.35m.

* * *

As indicated in the last annual report at **Microlease** the current year has progressed very well, say the directors, on reporting an increase in pre-tax profits from £275,000 to £503,000 for the half year to the end of August 1984.

An interim dividend of 1p net has been declared on this USM stock — the directors say that the final will be unchanged from last year's single payment of 2p. First half earnings per share are shown as rising from 6.2p to 8.9p.

Turnover moved up from £1.14m to £1.68m — the company rents electronic instruments and computers on a short term basis.

* * *

Net asset value at the **Edinburgh Investment Trust** is shown at 131.9p at the end of September 1984 compared with 124.5p six months earlier.

Available income for the six months to the end of September 1984 moved up from £3.93m to £4.12m. The net interim dividend has been lifted from 1p to 1.1p—in the last full year a total of 2.5p was paid. First-half earnings per 25p share were shown as 1.44p (1.37p).

* * *

Although turnover at **Bray Technologies** was 16 per cent higher at £4.1m, pre-tax profits dipped by 9 per cent from £375,000 to £342,000, in the six months to June 30 1984.

The interim dividend is unchanged at 1p — last year a total of 2.5p was paid from pre-tax profits of £662,000. The company's shares are traded on the market formed by Granville & Company.

* * *

Profit before tax at **Scottish Metropolitan Property** rose from £6.51m to £6.77m for the year ended August 15 1984.

The final dividend from this property owning investment company is lifted by 0.15p to 2.15p net per share on increased capital, making a total of 3.75p for the year (3.5p). This increased payment will cost the company a total £3.64m (£3.39m).

Earnings are given as 4.13p per share (4.51p adjusted) and net asset value at 110p per share (103.1p).

* * *

Profit before tax in the year to April 30 1984 at **Westminster & Country Properties** was £875,000 compared with £709,000. This was derived from rental income up from £501,000 to £599,000 and from gross profit on the sale of developments of £1.36m against £1.27m.

The directors of this property investor and developer are proposing to increase the final dividend by 1p to 4.75p, making the total for the year 1.5p higher at 7.5p. Earnings per share are stated at 22.5p (18.7p). Prospects for the current year appear "satisfactory," they say.

The directors consider that the value of completed developments exceeds their book value by £1.44m to give a net asset value of 154p per share.

UK COMPANY NEWS

John Moore looks at Lloyd's accounting reforms

The cultural revolution takes a forward step

A NEW stage was reached in the cultural revolution in the Lloyd's insurance market yesterday as Mr Ian Hay Davison, chief executive of Lloyd's, unveiled far reaching accounting reforms for the market's underwriters.

Mr Davison said yesterday: "We face a big educational problem and we have a long way to go. But two years ago these reforms would have been unthinkable in the Lloyd's market."

To the outside world the accounting reforms may seem unexceptional. The key change is that Lloyd's now requires that annual reports of syndicates, into which the 23,438 members of the market are grouped, should give a "true and fair view" of the profit or loss at the end of an underwriting account.

Reforms

The changes outlined yesterday are designed to bring accounting procedures within Lloyd's into line with accounting practices elsewhere in the business community.

These moves are among the most significant reforms to be carried out in Lloyd's since scandals involving allegations that more than £100m had been misappropriated by the market's underwriting professionals from funds belonging to underwriting members surfaced at the end of 1982.

Although this is accepted as a normal accounting practice beyond Lloyd's, the market's own accounting procedures have been more primitive.

Since its emergence as a market nearly 300 years ago, Lloyd's has developed along club-lines. Its rules were unquestioned and expected by the *professionals to be unquestioned*, since it would undermine the whole basis of trust on which the market relied in its relationships with its members.

The growth of the market has placed enormous strains on Lloyd's club-like methods of operation. In 1970 there were just 5,999 members of the market which has grown to its present size. Next year there may be 27,000 or so underwriting members at Lloyd's.

These members are grouped into 430 insurance syndicates, some of which are large, running into thousands of members, and some quite small, with perhaps a few hundred or less.

When syndicates consisted of relatively few underwriting members the accounts for each underwriting year were kept separate. *Each underwriting member* was given his own detailed account of his investment in Lloyd's.

But with the growth of *membership*, and as the syndicates increased in size, the agents who looked after the affairs of underwriting members looked for methods to simplify the accounting while still attempting to reconcile their duties as agents to their principals, the underwriting *members*.

Underwriting members, who largely do not work in the market, did not receive such detailed information or a precise account of funds held on their behalf. Individual accounting to each underwriting member was abandoned in favour of aggregate accounting to whole groups of underwriting members.

Abuses developed as underwriting agents became unclear about the obligations which needed to be discharged in their relationship with their principals, the underwriting members. *Funds were not properly* accounted for in the published accounts to the underwriting members or in the management accounts.

Yesterday's reforms are designed to change that. Under its own private Act of Parliament Lloyd's has introduced a bye-law to ensure that a syndicate's annual reports should give a "true and fair" view of the profit and loss on underwriting accounts as assessed by an auditor.

Moreover, the bye-law *insists* that a personal account given to underwriting members of their affairs should also be prepared on a "true and fair" basis. This would show the underwriting member's net result.

Conflicts

It also requires that if a professional underwriter carries out business for another syndicate in tandem with a main insurance syndicate for which he acts, he should also disclose relevant information. This is designed to identify potential conflicts of *interest*.

The new requirements insist on a seven-year summary of results to be shown in the report and accounts. The syndicate's report and accounts must now be filed on a Lloyd's central file together with the nuderwriter's and managing agent's reports.

The "true and fair" view requirements will not become mandatory until the end of 1985.

Mr Davison says he has *received indications that 130 out* of 530 syndicates would face an auditor's qualification on their accounts if those standards applied at the end of this year.

The delay is designed to allow those syndicates who fall below the standards to get their affairs into order to satisfy Lloyd's new *requirements*.

Grosvenor Group soars by 86% to £1.06m

AN 86 PER CENT increase from £573,257 to £1.06m in pre-tax profits is reported by Grosvenor Group, electrical, electronics and *engineering group, for the year* to June 30 1984.

Commenting on this much improved performance, Mr *Gordon Hazzard, the managing* director, says the results include, for the first time, a full year's contribution from Floform, Rubber and Plastics Industries, and Cera, all of which were acquired during the previous year.

There were also partial *contributions from* Backer Electric and Weigh-Count International. Grosvenor acquired 54.6 per cent of Backer in February, and 100 per cent of Weigh-Count in March.

Mr Hazzard adds that the overall result for the group was in line with the board's expectation *at the beginning of the year*

Cera, which was acquired in May 1983, was expected to take some time to re-establish itself in the market place, but although the order book improved in the second half, it still fell substantially short of the amount required to break even.

In addition, production problems added to its difficulties and resulted in a loss of approximately *£500,000* for the year.

In contrast to these disappointments, he says there have been excellent performances from other companies in the group, notably Floform Lock & Co and Ensel Electric, which were all ahead of budget for the year, and this trading pattern has continued through the first quarter of the current year.

Group turnover for the year under review advanced by 141 per cent from £9.81m to £23.64m, and operating profits increased from £593,493 to £1.37m. Tax was up from £60,678 to £218,656. The final dividend is raised from 3.25p to 3.5p net for an increased *final of 5.75p (5.25p)*.

BIDS AND DEALS

Dixons confident of no rival bid for Currys

BY CHARLES BATCHELOR

MR STANLEY KALMS, chairman of Dixons Group, the electrical retailer which last Thursday launched a £178m takeover bid for Currys Group, said after yesterday's shareholders' meeting he was confident there would be no rival bidder.

He dismissed suggestions that any other retailer with electrical interests would bid and said no one outside the electrical sector would be able to understand and sort out the problems at Currys.

Dixons plans to send out its offer document on Friday or Monday next. It has asked for a meeting with the Currys board but had not yet had an answer.

Mr Kalms said Currys should be making at least 50 per cent higher profits than it has been. Currys last week announced a 9 per cent fall in pre-tax profits to £8.5m in the six months ended July 25 after making £22.5m in the preceding 12 months.

"On half their number of shops we are forecasting we will make substantially more profits then Currys," said Mr Kalms. "I am not buying a pig in a poke. *This is our scene. From day one* we have an action plan for Currys."

Dixons plans to operate Currys' stores alongside its own, repositioning and rearranging its products rather than making major changes in the Currys' range.

"Although they should not be selling watches in such big shops," he added, "perhaps they should not be in calculators. They have a bit of a dog's dinner in their shops."

During the nine-minute meeting at which not a single shareholders' question was asked, Mr Kalms said he expected a spirited defence from Currys which might include a profits forecast and a revaluation of its property assets. The only performance measure that matters is trading profit, he said.

Commenting on Dixons' recent performance, Mr Kalms *said retailing turnover* rose 35 per cent in the first 21 weeks of the financial year ending April 1985.

In the rest of the group's activities—photographic processing, pharmaceutical distribution, and property—trading was well ahead.

"Current trading remains extremely buoyant and we anticipate a highly successful year," he said.

Dixons is offering £4.75 cash and one of its own shares for every two Currys shares. Dixons shares rose 5p to 305p yesterday but Currys was also 5p firmer *at 408p, and still 18p higher* than the value of the Dixons' bid.

Carless steps up bid pressure

BY DOMINIC LAWSON

Carless Capel & Leonard has extended its near £100m all share bid for fellow oil company Premier Consolidated Oilfields until October 17.

In a new offer document, Mr John Leonard Carless' chairman, urges Premier shareholders not "to be swayed by rhetoric or emotion." He adds that "on basic investment criteria, the merger of Carless and Premier makes sense."

He says that Premier faces heavy costs in funding the borrowings incurred in buying its biggest asset, a stake in the Wytch Farm oilfield, the largest onshore oilfield in Europe.

Mr Leonard argues that "it is hard to believe that on its own Premier will be able to carry out its exploration programme." The merger will lift the financial burdens which will otherwise blight Premier's future, concludes Mr Leonard.

When the second acceptance period closed yesterday afternoon, Carless had attracted support from only 1.77 per cent of Premier shareholders for the bid. At this rate, said Premier chairman Mr Roland Shaw yesterday, it would take Carless five years to take over Premier.

Carless points out in its document that shares in Carless worth £1,000 10 years ago are now worth £19,400, while over the same period an equivalent sum invested in Premier would be worth *only £9,700. Roland* Shaw retorted that this only proved his point that Carless shares had been overvalued.

Oil analysts consider that the current terms of one Carless share for every three Premier shares is not sufficient to carry the day. It is thought that either the introduction of a cash element, or an improved share offer would be necessary.

Britannia Arrow up 6p on bid speculation

The share price of Britannia Arrow Holdings, fund management and financial services company, rose 6p to 73p yesterday on speculation that an unidentified company is poised to make a bid.

The price movement reacted to rumours that a major shareholder in Britannia had sold its stake to an unknown buyer for at least 100p per share. But there is no firm evidence as to the identity of this major buyer.

The two largest shareholders in Britannia are United Kingdom Temperance and General Provident Institution, a mutual life company, with 22.73 per cent and London and Manchester Assurance with 8.5 per cent. It is understood that neither company was prepared to comment on rumours of the sale or on the firm rise in the share price.

Approach for Small and Tidmas

Shares of John C. Small & Tidmas, a Nottingham-based manufacturer of knitted fabrics, rose 28p to 80p yesterday to value the company at £960,000 *after it announced it had* received a takeover approach.

Small & Tidmas made a pretax loss of £44,000 in 1983—the fourth successive year of losses—on sales of £3.17m. It agreed in March to sell the principal assets of its warp knitting division to British Vita for £460,000 cash.

It has since concentrated its activities on its net and tulle division, which made a trading profit of £42,000 on sales of £1.3m in 1983.

BIDS AND DEALS IN BRIEF

A 20.8 per cent stake in Bluemel Brothers, the bicycle manufacturer and importer, changed hands yesterday at a reported price of 16p per share when Mandarin Resources sold to P. T. Cabrin of Indonesia and Singapore.

Bluemel is headed by Mr Ronnie Aitken who is also deputy chairman of Mandarin Resources, the Far Eastern Investment company. Mandarin backed Bluemel's recent £1.46m rights issue in full and, in July, held a 21.46 stake in Bluemel. Mandarin has a 14.8 per cent stake in Falcon, formerly Jenks and Cattell, the Wolverhampton *garden tools business* which, too, is headed by Mr Aitken.

* * *

Extel Advertising and PR public relations and financial advertising arm, of the Extel Group, has acquired the Turner Porter design consultancy. Its clients include Barclays Bank, Shell and British Airways.

The consideration is £350,000 of which £200,000 has been paid in cash and the balance will be satisfied by the allotment of *ordinary shares of Extel Group* on October 1, 1985, and October 1, 1986. Net assets of Turner Porter Associates at June 30, 1984 amounted to £101,277.

* * *

Wolseley Hughes has acquired EFI Plastics and Metalware of Merthyr Tydfil for around £550,000.

Combined English

Combined English Stores—Stake shares and rights over *shares held in discretionary* investments portfolios managed by, or on advice from Warburg Investment Management, including investment portfolios held for their own account by members of the Mercury Securities group, were increased by 300,000 ordinary to 8.63m, equal to 16.26 per cent of total voting rights.

MINING NEWS

Black workers at Marievale on strike

FURTHER misunderstandings over the terms of the settlement of the recent strike by black workers in South Africa's gold mining industry have stopped work at Marievale, one of the smaller and older mines in the Gencor group. Essential services, including the treatment plant, are still in operation.

Gencor said yesterday that almost all of its 1,160 black workforce failed to report for their shifts on Monday night and Tuesday morning. There has so far been none of the violence which marked the dispute at a number of other mines.

The workers have been told that they are taking part in an illegal strike, as the statutory negotiating procedures have not been followed, and that their action could have serious consequences, including dismissal.

Gencor added that a delegation of the black workers met the management on Monday to express dissatisfaction with wages, and the strike appeared to be connected with these demands.

The strikers have been told that Marievale was not a party to the recent agreement between the black National Union of Mineworkers and a number of *other gold mines*.

This is clearly a reference to some of the mines in the Anglo American Corporation group, which brought the strike to an end after a day of confusion by amending their arrangements for paying holiday allowances and return bonuses.

The Kloof mine of Gold Fields of South Africa, the only mine outside the Anglo group to be directly threatened with strike action, made no changes in its arrangements, and has reported no disruption.

The continued misunderstandings in the wake of the strike are expected to lead the Chamber of Mines to attempt to impose some degree of conformity on the mines over the way in which fringe benefits are paid. At present, the Chamber's role is confined to negotiating minimum wage levels each year.

RTZ in discussions on Portuguese copper mine

THE London-based Rio Tinto-Zinc international mining and industrial group looks set to expand its operations in the Iberian Peninsula through the acquisition of a sizeable minority stake in a Portuguese copper project.

The group is discussing the purchase of a combined 49 per cent interest in the Neves Corvo project from two French companies, *Penarroya, part of the* financially-troubled Imetal group, and Coframines, a unit of the state-controlled Bureau de Recherches Geologiques et Minieres (BRGM).

Penarroya currently holds 33.5 per cent in the project, and Coframines' stake is 15.5 per *cent. The Portuguese Government* holds the remaining 51 per cent.

Neves Corvo is regarded as the most important mining development in recent Portuguese history. Reserves have been estimated by outsiders at 27.5m tonnes, with a very high average grade of 8.66 per cent copper.

The deposit is known to be geologically complex, and also contains lead and zinc.

Copper production from Neves Corvo is unlikely to be large enough to have any adverse impact on other mines elsewhere *in the world*, but the concentrates could be useful in ellviating the current shortage at European smelters, especially in West Germany.

RTZ, which last night declined to comment on the discussions, has connections with the Iberian Peninsula dating from before the *formation of* the present group, and one of the original constituent companies, Rio Tinto Minera, still has operations in Spain.

MINING NEWS IN BRIEF

AUSTRALIA'S Renison Goldfields Consolidated and Enterprise Gold Mines have decided to go ahead with the development of the Pine Creek gold deposit, south-east of Darwin in the Northern Territory. The mine is expetced to produce about 480,000 ounces of gold over a life of nine years, and should start production late next year.

A new company, Pine Creek Goldfields, is to be set up to *develop the deposit*. RGC, the Australian arm of London's Consolidated Gold Fields, will pay Enterprise A$2.1m (£1.4m) to increase its stake in the joint venture, and thus in the new company, from 49 per cent to 60 per cent. Enterprise will hold the remaining 40 per cent of Pine Creek Goldfields.

After equity contributions of A$6.25m to the new company, the remainder of the capital cost of the mine will be contributed by way of redeemable preference shares, with Enterprise's total *commitment limited to A$4m by* arrangement between the two companies.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday October 10 1984

WALL STREET

Nervousness puts end to early rally

NERVOUSNESS ahead of the quarterly reporting season returned to Wall Street before the end of the session yesterday, when light selling of blue chips turned the market downwards, *writes Terry Byland in New York.*

An unexpectedly sharp fall in the federal funds rate had helped the market to stage a successful rally earlier in the day.

Credit markets, by contrast, held on to their initial price gains, encouraged by a further dip to 10 per cent in the federal funds rate, despite a move by the Federal Reserve to drain liquidity by making matched sales of securities.

By the close the Dow Jones industrial average was 2.76 points down at 1,175.13 after being a net 6.5 up at mid-morning. Turnover, at 76.3m shares, was moderate. The key long bond ended at 102 27/32, a net gain of 14/32.

Federal funds opened at 10⅛ per cent, compared with around 10½ per cent on Friday and 11 5/16 per cent only a week ago. The lower rate reflected in part the slackening demand associated with the end of the quarter but was also read by the market as welcome evidence that the Fed is willing to relax credit policies in view of the slowdown in money supply growth.

But the announcement of matched purchases – which came when the funds rate stood at 10 3/16 per cent – suggested that the early fall in the rate was too steep for the Fed's liking.

Early gains in bond prices were trimmed at midsession. The protracted delay in obtaining congressional approval for the new federal debt ceiling heightened nervousness regarding the expected rush of new Treasury funding, expected as soon as the approval is passed (presumably before the end of the week).

In the stock market, the first corporate third-quarter reports were received with caution. Eastern Air Lines, at $5, gained a further $¼ on its return to profitability, but UAL and Delta each lost $⅝ to $37⅞ and $32¾, respectively. Both have results due.

United Telecom held steady at $21⅛ after reporting profitability for the third quarter. AT & T was also unchanged at $18⅜ while ITT, at $28⅛, was $¼ better despite firm denial of plans to sell the Sheridan hotel chain.

International Paper, world leader in the industry, added $¼ to $49⅛ on improved third-quarter earnings, while Consolidated Paper added $½ to $65¾, also on good third-quarter figures.

Among the mainframe computer issues, Burroughs gained $¼ to $51⅞ in thin trading after announcing the expected new models. IBM added $⅜ to $121⅞, while Honeywell, still smarting from a boardroom caution ahead of its results, dipped by $⅛ to $54¾.

Again prominent on the active stocks list was Storage Technology, whose data equipment has to compete with IBM. It lost a further $⅝ to $8¼ in continued response to the board's warning of a loss of more than $20m for the third quarter. Electronic Data Systems, which also sells data processing equipment to government offices, fell $⅝ to $45.

Better news on union response to the recent wage talks left General Motors unchanged at $76½, while Ford edged up by $¾ to $44⅝.

CBS, the TV operator, was $½ better at $78 after reporting increased profits for the third quarter – mostly on the TV and radio side.

Money market rates dipped by 10 basis points or more in response to the federal funds rate. Bank certificates of deposit showed falls of 15 to 17 basis points at the longer end of the range.

The heavy overhang of some new issues took ¼ point or more off municipal *bond prices. Corporates, however, edged* higher.

LONDON

Money data put a dent in sentiment

DISAPPOINTING money supply statistics prompted caution late yesterday after London stock markets had displayed a quietly firm trend earlier in the session. The 2.30pm announcement of a larger than expected rise last month in UK monetary aggregates seemed to rule out the immediate prospect of a cut in base lending rates.

Dealers adopted defensive tactics, *lowering quotations for gilt-edged and* leading shares. Index-linked securities surrendered initial gains and settled ¾ down on the day. Conventional gilts again suffered the effects of fund raising for investment elsewhere, and some were down a point overall.

The FT Industrial Ordinary index, which had been 4 points higher in the early afternoon, closed 0.4 down on balance at 866.2. Of the 30 constituents, 11 showed falls ranging to 6p while seven recorded rises – these extending to 11p for Hawker Siddeley at 446p after 452p, in front of next Wednesday's interim statement.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30–31

AUSTRALIA

A DOWNWARD movement in active Sydney dealings was attributed to depressed metal values rather than to the widely anticipated calling of an early general election. Selling was confined mainly to resource issues while the industrial boards were well maintained.

CRA shed 14 cents to A$4.96, and BHP 5 cents to A$10.25. Vamgas on the energy side was also 5 cents off at A$3.85.

Elsewhere, Mayne Nickless, the transport and security group contesting a bid for control by APM, rose 13 cents to A$3.73 – a two-day jump of 25 cents on hopes that a white knight will improve the paper concern's effective A$3.52 a share offer.

HONG KONG

THE MORE buoyant tone which began to emerge in Monday's late Hong Kong dealings was sustained as foreign institutions returned.

Hongkong Land rallied 13 cents to HK$3.05 on news of the planned sale of a large hotel which would ease its debt burden. Jardine Matheson, which holds a sizeable stake in the property group, picked up 35 cents to HK$7.10

Jardine Securities recouped 15 cents at HK$5.50.

SINGAPORE

SELLING pressure abated somewhat in Singapore but still held sway, although offerings were well absorbed in growing volume. Concerns over the pending Malaysian budget and weakness in the ringgit were partially set aside.

Falls led rises by seven to five, far narrower than Monday's 12 to one ratio, and isolated speculative issues made prominent gains. The two most actives were Supreme Corporation, up 12 cents to S$1.61, and Ben & Co, 29 cents stronger at S$1.33.

SOUTH AFRICA

A MIXED result for Johannesburg golds left FS Geduld 50 cents ahead at R55 while Kloof moved the same amount lower to R70.50.

Gold Fields of SA dipped 25 cents to R28.50 in further reaction to poorer performances from group mines. Driefontein, an exception among these on Monday with a 25-cent gain, relinquished it to return to R50.50.

Retailer CNA Gallo gained 30 cents to R2, but insurer Protea slipped 15 cents to R1.60.

CANADA

WEAKNESS was evident across the entire range of Toronto resource issues, with golds, base metals and energy all showing setbacks. These were largely offset, though, by gains elsewhere in the market.

Banks and utilities were in most favour in Montreal, while industrials remained dull.

TOKYO

Stimulus by drug makers is little help

PHARMACEUTICAL and biotechnology-related issues stood out in an otherwise dull pre-holiday Tokyo stock market yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The continued drop in New York overnight further dampened investor interest and sparked small-lot selling of blue chips. The market is closed today .

The Nikkei-Dow market average was 8.22 down at 10,668.71, dropping for the third day running. But volume expanded to 325.13m shares from the previous day's 228.58m. Declines outpaced advances by 385 to 298, with 183 issues unchanged.

With no clear prospects for a yen rally against the U.S. dollar, investor expectations of rises in blue chips towards the end of the year subsided. Moreover, buying of incentive-backed issues appeared largely to have run its course.

Only a few biotechnology stocks came under the spotlight. Mochida Pharmeceutical climbed Y200 to a record Y11,900 on strong speculative purchases amid reports of an anti-cancer agent.

Nichiban, an adhesive tape and bandage maker which is diversifying into pharmaceuticals, firmed Y56 to Y790, and Nippon Kayaku Y27 to Y612. Of the 30 most active stocks, biotechnology-related issues accounted for 10.

Teijin remained volume leader, with 14m shares traded rising Y7 to Y423, again helped by the news of the development of a pollution-free electrode material which could replace mercury-based battery cells.

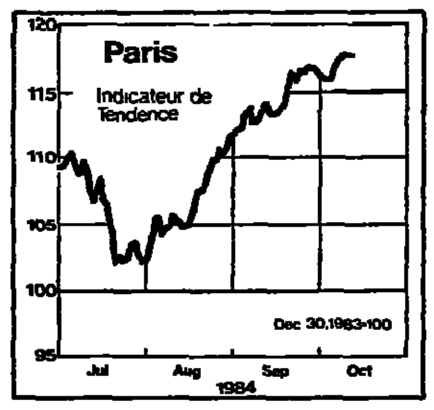
Sumitomo Light Metal, the second busiest with 13.3m shares, added Y12 to Y335 on the strength of brisk demand for an aluminium magnetic disk. Stanley Electric, also active, gained Y40 to Y1,080, reflecting strong semiconductor demand.

Morinaga, which shed Y54 on Monday on reports that anonymous blackmailers had laced its products with sodium cyanide, improved Y23 to Y489. The rally stemmed largely from short-covering.

Blue chips remained weak in general on light sales across a broad front. Matsushita eased Y30 to Y1,620, and TDK Y90 to Y5,280.

The bond market was weak in extremely thin trading due to the closure of U.S. federal bond markets the previous day and today's national holiday in Japan.

The yield on the benchmark 7.5 per cent government bond due in January 1993 rose slightly to 7.1 per cent from 7.095 per cent.



EUROPE

Foreigners aid the firm tone

FOREIGN buying, boosted in part by the stronger U.S. dollar, was evident in many European centres yesterday, where markets closed narrowly mixed to higher despite the poor overnight performance in New York.

Early boisterous buying in **Frankfurt** dissipated, though, and prices rarely gained or lost more than DM 1. The Commerzbank index crawled up 0.9 to 1,069.0.

Most activity occurred in the banking sector, where Deutsche Bank took on DM 3.50 to DM 369.50, BHF DM 6 to DM 268 and Dresdner DM 1.50 to DM 170.

Blue-chip electrical Siemens, a favourite with foreign investors, jumped DM 6.40 to DM 447.40, despite losing a large British Telecom contract.

Bond prices held their easier tone, distracted by Monday's holiday in the U.S. markets. The Bundesbank bought DM 43m of paper after selling DM 10.7m the previous day.

More active trading was seen in **Amsterdam** where prices turned higher after a hesitant opening. KLM, which today makes effective a five-for-one share split, was heavily bought, up Fl 2.70 to Fl 195.20.

Boskalis traded 20 cents lower at Fl 12 *amid plans to sell its civil engineering* contractor as part of its restructuring.

No clear trend was evident in **Paris.** *Metals, oils and financials were mixed* in dull trading, while electricals and food issues slightly improved. The Indicateur de Tendence was 0.2 lower at 117.6.

Imetal slipped FFr 1.50 to FFr 88, Elf Aquitaine dropped FFr 3 to FFr 253, while Avions Dassault put on FFr 20 to FFr 720.

Brussels ended mostly steady, with attention focusing on Groupe Bruxelles Lambert following news that it plans to increase its stake in Petrofina.

GBL was BFr 45 lower at BFr 2,290, while Petrofina added BFr 10 to BFr 7,700.

A drop in Swiss inflation during September failed to enliven sentiment in a quiet **Zurich.**

Motor Columbus, the energy holding and consulting group. gained SwFr 9 to SwFr 794. It expects flat results for 1984 after suffering severe losses on a Tehran construction project.

In the bond market, trading was subdued.

Industrial issues led a late rally in **Milan,** but momentum failed to gather, and most sectors ended mixed. Uncertainties looming on the political horizon, coupled with next Monday's monthly settlements, left investors hestitant to *participate.*

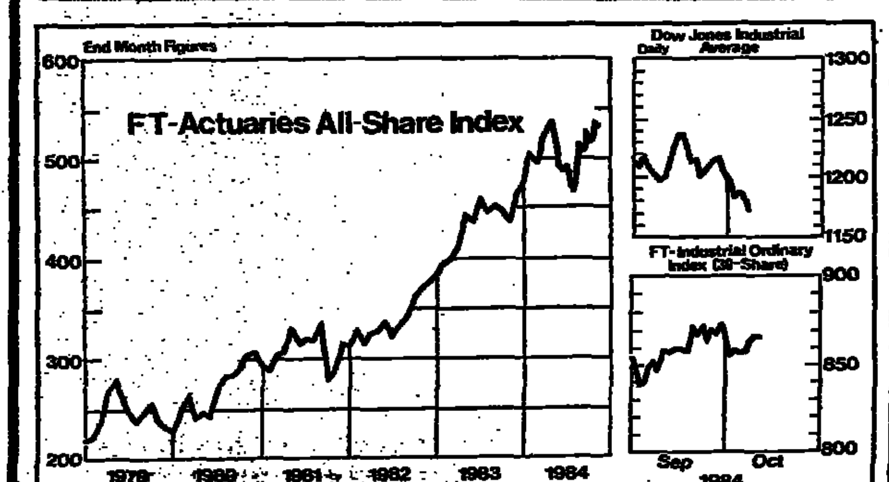
Italmobiliare, parent company of the Pesenti group, recovered Monday's losses to finish L1,990 up at L55,500. Fiat, which also fell the previous day, gained L26 to L1,701.

Bastogi, the holding company suspended on Monday after reports that a subsidiary was in financial trouble, rallied to L100, up L11.

The upward drift in **Madrid** ended yesterday when the first declines in nine days were recorded. Property issues were the only ones to post gains, and the electrical sector saw the greatest falls.

Lack of buying interest took **Stockholm** lower.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 9	Previous	Year ago
DJ Industrials	1,175.13	1,177.89	1,272.15
DJ Transport	508.48	513.42	586.70
DJ Utilities	138.18	138.84	138.97
S&P Composite	161.66	162.13	170.80
LONDON			
FT Ind Ord	866.2	866.6	698.2
FT-SE 100	1,136.6	1,139.0	952.7
FT-A All-share	536.44	535.83	439.42
FT-A 500	581.81	582.41	477.85
FT Gold mines	557.6	561.8	572.7
FT-A Long gilt	10.36	10.30	10.45
TOKYO			
Nikkei-Dow	10,668.71	10,676.93	9,562.48
Tokyo SE	830.75	833.11	699.6
AUSTRALIA			
All Ord.	742.6	745.3	709.5
Metals & Mins.	448.6	455.1	540.3
AUSTRIA			
Credit Aktien	56.21	56.16	54.76
BELGIUM			
Belgian SE	162.13	161.89	129.04
CANADA			
Toronto			
Metals & Minls	1,933.1	1,963.9	2,484.0
Composite	2,357.0	2,366.2	2,517.1
Montreal			
Portfolio	115.32	115.82	124.2
DENMARK			
Copenhagen SE	170.92	172.49	189.41
FRANCE			
CAC Gen	181.7	181.6	140.9
Ind. Tendance	117.6	117.8	89.5
WEST GERMANY			
FAZ-Aktien	368.73	366.24	326.03
Commerzbank	1,069.0	1,068.1	968.4
HONG KONG			
Hang Seng	982.38	963.5	734.05
ITALY			
Banca Comm.	210.73	210.82	191.01
NETHERLANDS			
ANP-CBS Gen	177.0	178.2	143.4
ANP-CBS Ind	138.3	137.1	118.1
NORWAY			
Oslo SE	256.1	257.4	216.55
SINGAPORE			
Straits Times	856.59	859.82	930.19
SOUTH AFRICA			
Golds	1,014.3	1,015.8	782.7
Industrials	858.4	859.4	927.9
SPAIN			
Madrid SE	153.39	154.51	118.44
SWEDEN			
J & P	1,448.99	1,451.87	1,476.89
SWITZERLAND			
Swiss Bank Ind	373.5	373.0	339.7
WORLD	Oct 8	Prev	Year ago
Capital Int'l	181.0	181.6	184.9

GOLD (per ounce)

	Oct 9	Prev
London	$340.75	$341.50
Frankfurt	$340.50	$341.75
Zürich	$341.00	$341.75
Paris (fixing)	$340.75	$343.21
Luxembourg (fixing)	$341.30	$342.80
New York (Oct)	$337.00	$342.40

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Oct 9	Previous	STERLING Oct 9	Previous
$	–	–	1.228	1.2365
DM	3.089	3.051	3.79	3.775
Yen	247.85	246.75	303.75	304.75
FFr	9.47	9.355	11.6175	11.555
SwFr	2.543	2.512	3.12	3.11
Guilder	3.475	3.4445	4.2725	4.25
Lira	1,903.5	1,892.0	2,338.5	2,338.5
BFr	62.25	61.825	76.55	76.35
C$	1.3195	1.3185	1.621	1.63

INTEREST RATES

	Oct 9	Prev
Euro-currencies (3-month offered rate)		
£	10⅝	10⅞
SwFr	5¼	[illegible]
DM	[illegible]	[illegible]
FFr	11⅞	12
FT London Interbank fixing (offered rate)		
3-month U.S.$	11⅞	11⅞
6-month U.S.$	11⅞	11⅞
U.S. Fed Funds	10⅛	10¼
U.S. 3-month CDs	10.80	10.90
U.S. 3-month T-bills	10.07	10.12

U.S. BONDS

Treasury	Oct 9 Price	Yield	Prev Price	Yield
11⅞ 1986	[illegible]	11.85	[illegible]	11.91
13⅜ 1991	106	12.40	106	12.40
12⅜ 1994	[illegible]	12.32	[illegible]	12.35
12½ 2014	[illegible]	12.15	[illegible]	12.17
Corporate				
AT & T				
10⅜ June 1990	90⅞	12.75	90⅞	12.75
3⅞ July 1990	70⅞	10.85	70⅞	10.85
8⅜ May 2000	72⅜	12.95	72⅜	12.95
Xerox				
10⅞ March 1993	88⅝	12.85	88⅝	12.85
Diamond Shamrock				
10⅜ May 1993	86⅜	12.95	86⅜	12.95
Federated Dept Stores				
10⅜ May 2013	82⅛	12.95	82⅛	12.95
Abbot Lab				
11.80 Feb 2013	92	12.90	92	12.90
Alcoa				
12⅝ Dec 2012	91⅞	13.45	91⅞	13.45

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	67-20	68-08	67-18	67-22
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	89.93	90.03	90.03	89.92
Certificates of Deposit (IMM) $1m points of 100%				
Dec	89.02	89.15	89.00	88.99
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	88.73	88.75	88.58	88.59
20-year Notional Gilt £50,000 32nds of 100%				
Dec	106-13	107-18	106-12	107-18

COMMODITIES

(London)	Oct 9	Prev
Silver (spot fixing)	587.20p	587.20p
Copper (cash)	£1,025.00	£1,021.25
Coffee (Nov)	£2,336.50	£2,320.50
Oil (spot Arabian light)	$27.87	$27.77

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 27

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 26

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Oct. 9	Price Sch.%	+ or —
Creditanstalt	310	—1
Goesser	530	
Interunfall	383	
Laenderbank	215	
Perlmooser	386	+2
Steyr-Daimler	150	—1
Veitscher Mag.	241	+1

BELGIUM/LUXEMBOURG

Oct. 9	Price Frs.	+ or —
ARBED	1,575	—10
Banq Int A Lux	6,400	
Bekaert B	4,660	
Ciment CBR	2,605	—10
Cockerill	281	+1
Delhaize	5,700	
EBES	2,850	+10
Electrobel	8,120	
Fabrique Nat.	2,060	
GB Inno BM	3,440	—10
GBL (Brux)	2,290	—45
Gevaert	3,680	
Hoboken	5,900	
Intercom	2,155	
Kredietbank	7,490	+90
Pan Hldgs.	10,250	+50
Petrofina	7,700	+10
Royale Belge	9,450	—10
Soc. Gen. Banq	3,200	
Soc. Gen. Belge	1,845	+5
Sofina	7,380	
Solvay	4,425	+10
Traction el.	4,090	+10
UCB	5,400	
Vieille Mont.	5,350	+50

DENMARK

Oct. 9	Price Knr %	+ or —
Aarhus Olie	430	
Andelsbanken	239	—1
Baltic Skand	645	
CopHandelsbank	251	—2
D. Sukkerfab	590	—5
Danske Bank	242	—3
East Asiatic	172	—8
Forenede Brygg	740	+20
Forenede Damp	99	—1
GNT Hldg	393	
I.S.S.B.	405	+36
Jyske Bank	468	—1
Novo Ind.	1,850	
Privatbanken	225	—3
Provinsbanken	315	
Smidth (F)	228	—1
Sophus Berend	895	
Superfos	430	—2

FRANCE

Oct. 9	Price Frs.	+ or —
Emprunt 4½% 1973	1,715.6	—4.7
Emprunt 7% 1973	9,062	—38
CNE 3%	3,817	+29
Air Liquide	650	+1
BIC	507	+2
Bouygues	641	+1
BSN Gervais	2,551	+6
CIT-Alcatel	1,253	—2
Carrefour	1,675	—4
[illegible]	[illegible]	[illegible]

GERMANY

Oct. 9	Price Dm.	+ or —
AEG-Telef.	111.3	+2.1
Allianz Vers.	1,001	+9
BASF	161	
Bayer	178.3	—0.6
Bayer-Hypo	297	
Bayer-Verein	332	—1
BHF-Bank	268	+6
BMW	382.5	—3.5
Brown Boveri	201	+2.5
Commerzbank	167.2	+1.2
Cont'l. Gummi	125.5	+0.2
Daimler-Benz	586	+0.5
Degussa	377	+4
D'sche Babcock	164	+0.5
Deutsche Bank	369.5	+3.5
Dresdner Bank	170	+1.5
GHH	154.7	—0.3
Hochtief	474	—2
Hoechst	178.4	—0.4
Hoesch Werke	105.8	+0.8
Holzmann (P)	380.5	+0.3
Horten	173	+2
Kali und Salz	238.5	—0.5
Karstadt	237	+0.5
Kaufhof	225	+2
KHD	252	+5.5
Kloeckner	66.3	—0.5
Krupp	86	—1
Linde	378.5	+3
Lufthansa	157.5	
MAN	154	+5
Mannesmann	157.5	+1.7
Mercedes Hld.	520	
Metallgesell	220.2	+0.2
Muench Rueck	1,200	+104
Preussag	260.5	—0.5
Rhein West Elect	165.5	+1.3
Rosenthal	247	+2
Schering	402	+6
Siemens	447.4	+6.4
Thyssen	79	+0.5
Varta	173	
Veba	171.8	—0.7
V.E.W.	120	—0.5
Verein-West.	296	
Volkswagen	181.1	—0.4

ITALY

Oct 9	Price Lira	+ or —
Banca Com'le	16,200	—10
Bastogi-IRBS	100	+11
Centrale	1,836	+20
Credito Varesino	3,670	—50
Fiat	1,701	+26
Finsider	49.5	
Generali Assicur	30,800	—100
Invest	2,642	—3
Italcementi	51,500	+390
Montedison	1,173	
Olivetti	5,788	+39
Pirelli Co	2,995	+15
Pirelli Spa	1,750	+10
Snia BPD	1,788	+17
Toro Assic	11,490	
do. Perf	8,310	+100

NETHERLANDS

Oct. 9	Price Fls	+ or —
ACF Holding	186.5	+0.9
AEGON	126	+1
Ahold	190.7	—0.3
[illegible]	[illegible]	[illegible]

NORWAY

Oct. 9	Price Kroner	+ or —
Bergens Bank	146	+1
Borregaard	270.5	+2.5
Christiania Bank	145	—2.5
DenNorske Cred	148	+1
Elkem	113.5	—1.5
Norsk Data	335	
Norsk Hydro	124.5xa	+1
Storebrand	178	—2

SPAIN

Oct. 9	Price Pts%	+ or —
Bco Bilbao	368	
Bco Central	375	
Bco Exterior	223	+2
Bco Hispano	256	—6
Bco Santander	338	+2
Bco Vizcaya	458	—8
Dragados	180	
Hidrola	79.5	—0.2
Iberduero	87	—3
Petroleos	158.2	—1.5
Telefonica	102.7	—1.3

SWEDEN

Oct. 9	Price Kronor	+ or —
AGA	345	+5
Alfa-Laval	191	—3
ASEA (Free)	360	
Astra (Free)	365	—10
Atlas Copco	105	—1
Boliden (Free)	365	
Cardo (Free)	250	
Cellulosa	120	—2
Electrolux B	240	—1
Ericsson	336	+4
Esselte	315	
Mo Och Domsjo	305	—7
Pharmacia	204	—2
Saab Scania Free	515	
Sandvik	395	
Skandia	302	+2
Skan Enski'da	53.5	—0.5
SKF	163	—2
St Kopparbergs	185	
Sven Handlesbn.	171	
Swedish Match	225	+2
Volvo B (Free)	236	

SWITZERLAND

Oct. 9	Price Frs.	+ or —
Alusuisse	748	—2
Bank Leu	3,640	—35
Brown Boveri	1,340	—5
Ciba Geigy	2,460	+10
do. (Part Certs)	1,935	+5
Credit Suisse	2,230	+10
[illegible]	[illegible]	[illegible]

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices October 9

MONTREAL

Closing prices October 9

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 27

OVER-THE-COUNTER *Nasdaq national market, closing prices*

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Body Shop	285	+20
Bowthorpe	368	+23
British Mohair	101	+ 5
Bulmer (H. P.)	190	+ 8
Burndene Invs.	22½	+ 3
Christies	452	+14
Emess Lighting	165	+15
Fisons	280	+ 8
Hawker Siddeley	446	+11
Ibstock Johnsen	252	+13
Pr'wich Parker	75	+10
Ryan Int'l	19½	+2½
Senior Eng.	19	+ 3
Small & Tidmas	80	+28

FALLS

Tr. 13¾pc '00–03	£122⅞	—£1
Tr. 2½pc i/l '01	£96	—£¾
Akroyd Smithers	350	—35
Hill Samuel	278	—17
Inchcape	385	—10
Kl'wort Benson	330	—20
Lowe (R. H.)	24	— 3
Mercury Secs.	425	—22
Schroders	650	—25
Sears Hldgs	79½	— 4
Eglinton O&G	118	—12
Lasmo	338	—10
Osceolo Hydro	120	—15
CRA	334	— 8
Peko-Wallsend	338	—10

Continued on Page 36

Indices

NEW YORK–DOW JONES

New York Active Stocks

STANDARD AND POORS

	Oct. 9	Oct. 8	Oct. 5	Oct. 4	1984 High	1984 Low
AUSTRALIA All Ord. (1/1/80)	742.6	765.5	749.8	744.4	787.5 (6/1)	666.5 (18/6)
Metal & Mins. (1/1/80)	446.5	460.1	452.3	459.4	567.4 (5/1)	400.4 (24/7)

BELGIUM						
DENMARK						
FRANCE						
GERMANY						
HONG KONG						
ITALY						
JAPAN						
NETHERLANDS						
NORWAY						
SINGAPORE						
SOUTH AFRICA						
SPAIN						
SWEDEN						
SWITZERLAND						
WORLD						

** Saturday October 6: Japan Nikkei-Dow 10,710.0, TSE 836.321.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials, § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON STOCK EXCHANGE

MARKET REPORT

Late fall follows money stock news which dampens hopes of lower interest rates

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Oct 1	Oct 11	Oct 12	Oct 22
Oct 15	Oct 25	Oct 26	Nov 5
Oct 29	Nov 8	Nov 9	Nov 19

* "New-time" dealings may take place from 9.30 am two business days earlier.

Disappointing money supply statistics prompted caution late yesterday after London stock markets had displayed a quietly firm trend earlier in the session. The 2.30 pm announcement of a larger-than-expected rise last month in UK monetary aggregates seemed to rule out the immediate prospect of a cut in base lending rates, which markets had been hoping for. The authorities suggested that sterling M3 may have risen by 1¼ to 1½ per cent compared with analysts' estimates of around 1 per cent.

Dealers adopted defensive tactics, lowering quotations for Gilt-edged and leading shares on the assumption that investors would be tempted to realise recent profits. In the event, little selling of that nature materialised but potential buyers withdrew and any sector bolstered over the past few trading sessions suffered an above-average markdown.

Index-linked Government securities were a prime example. Prices surrendered initial gains of a further ½, which had reflected the continued desire to hedge against the possibility of a higher rate of UK inflation, and settled a net ½ down on the day. Leading Retailing and Brewery stocks were affected most in the equity areas, but many retained marginal improvements on the session.

Conventional Gilt-edged again suffered the effects of fund-raising for investment elsewhere and were already ¼ lower ahead of the money stock news. Longer-dated issues subsequently gave more ground and in the late after-hours' trade some were down a point overall. Treasury 13¾ per cent 2000-03, for instance, settled at 122¾, against 123¼ at the 3.30 pm official close. The shorts were more resilient and ended only fractionally easier.

Equities took their cue from Gilts and the FT Industrial Ordinary share index, which had been 4 points higher in the early afternoon, closed a net 0.4 down on balance at 866.2. Of the 30 constituents, 11 showed falls ranging to 6 pence, while 7 recorded rises extending to 11 pence; Hawker Siddeley gained the latter amount to 446p, after 452p, in front of next Wednesday's interim statement.

Merchant banks fall

Comment on the financial implications of the four-way merger involving Mercury Securities, stockjobbers Akroyd and Smithers and stockbroking concerns Rowe and Pitman and Mullens prompted renewed selling of the two first-named and dullness among other financial concerns taking part in the current City revolution. Mercury plummeted 22 to 425p and Akroyd 35 more to a new low for the year of 350p; the latter's shares have now fallen steadily from 515p since the merger was announced in August. Kleinwort Benson, which last week published details of the acquisition of stockbrokers Grieveson Grant, fell 20 to 330p. Hill Samuel declined 17 to 278p and Schroders gave up 25 at 650p. Hambros softened a few pence to 155p. Elsewhere, Barclays firmed 5 more to 515p on further consideration of the proposed $800m (£485m) issue of floating rate notes, which has allayed rights issue fears. NatWest put on 9 to 552p, but the other clearers were ignored.

Shipbuilding and shiprepairing consultants A. and P. Appledore made a satisfactory debut in the Unlisted Securities Market; placed at 87p, the shares started at 91p and moved up to 93p prior to closing at 90p. Addison Communications, which staged a sparkling debut on Monday, slipped 5 to 144p.

Publicity given to a broker's bullish circular prompted initial support of leading Breweries. Sporadic profit-taking was encountered later, however, and although some small buying was evident towards the close, most issues finished with modest losses. Bass, up to 393p earlier, reverted to the overnight 390p, while Allied-Lyons, 155p, and Arthur Guinness, 149p, eased 2 apiece. Regionals, on the other hand, finally responded to the sector's recent strength. Greene King rose 4 to 152p and Wolverhampton and Dudley hardened 2 to 238p. Cider makers H. P. Bulmer gained 8 more to 190p as country buying aroused fresh takeover speculation.

Leading Building Material issues continued to attract light support and generally closed a few pence firmer. RMC rose 4 more to 358p. Brick concern Ibstock Johnsen gained 13 to 252p after comment on the interim results. George Wimpey attracted a reasonable amount of interest and firmed 2 to 114p, but Barratt Developments came under selling pressure and shed 4 to 86p. Higgs and Hill slipped a couple of pence to 272p awaiting today's half-timer, but Turriff Corporation, interim statement due on Friday, improved that much to 247p. Good half-year figures helped British Dredging harden a penny to 60p, after 61p, while a cheerful AGM statement left Trent Holdings a couple of pence dearer at 93p.

ICI fluctuated narrowly before picking up on U.S. demand to close 4 higher at a 1984 peak of 662p.

FINANCIAL TIMES STOCK INDICES

	Oct. 9	Oct. 8	Oct. 5	Oct. 4	Oct. 3	Oct. 2	Year ago
Government Secs.	80.76	80.98	81.00	80.92	80.89	80.91	81.66
Fixed Interest	84.71	84.77	84.70	84.51	84.49	84.55	84.90
Industrial Ord.	866.2	866.6	863.2	857.8	857.4	858.6	696.2
Gold Mines	557.6	561.8	575.9	578.0	580.5	558.6	572.7
Ord. Div. Yield	4.88	4.84	4.85	4.88	4.89	4.89	4.85
Earnings, Yld.% (full)	11.65	11.55	11.56	11.65	11.66	11.67	9.60
P/E Ratio (net)	10.89	10.40	10.39	10.31	10.89	10.29	13.04
Total bargains (Est.)	19,422	18,220	18,176	18,611	18,840	23,350	19,819
Equity turnover £m.	—	345.41	303.75	261.54	259.12	265.07	160.66
Equity bargains	—	16,471	16,051	135,00	15,507	15,830	15,850
Shares traded (mil)	—	129.7	156.5	150.2	151.6	145.8	108.9

10 am 869.2. 11 am 869.8. Noon 871.2. 1 pm 870.6. 2 pm 870.0. 3 pm 868.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026. Nil=9.88.

HIGHS AND LOWS / S.E. ACTIVITY

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low		Oct. 8	Oct. 5
Govt. Secs	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.48 (3/1/75)	Daily Gilt Edged Bargains	164.4	151.9
Fixed Int.	87.48 (14/5)	80.43 (30/7)	155.4 (28/11/47)	50.03 (31/1/75)	Equities Bargains	106.7	104.0
					Value	496.0	513.9
Ind. Ord.	922.8 (3/5)	755.3 (23/7)	922.8 (3/5/84)	49.4 (26/6/40)	5-day Average Gilt Edged Bargains	149.6	141.8
Gold Mines	711.7 (9/5)	485.7 (1/8)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	102.6	101.7
					Value	536.8	517.1

Stores below best

Buoyant recently on hopes of lower interest rates, leading Stores displayed resilience to the disappointing money supply figures. Dealers reported a lively turnover and, with buyers evident after the official close, most prices recorded only marginal losses. Burton touched 320p in initial trading before settling only a penny up on balance at 316p, while Woolworth finished 3 to the good at 515p, after 523p. House of Fraser, 284p, and Habitat Mothercare, 348p, gave up 4 apiece, while Marks and Spencer shed a couple of pence at 114p.

Activity in second-line Stores centred on Harris Queensway which held at 176p, after 180p, on interim profits which matched most market estimates. Currys, 408p, and Dixons, 305p, both firmed 5 awaiting further developments in the bid situation; the latter's chairman produced a bullish statement at yesterday's annual meeting. Elsewhere, renewed speculative demand lifted Body Shop 20 to 285p and Dunhill 6 to 193p.

Bowthorpe were outstanding in Electricals, soaring to 378p before closing 23 up on the day at 368p in response to better-than-expected interim results. Emess Lighting, 15 better at 165p, also drew strength from higher-than-anticipated first-half profits. Leading stocks failed to hold best levels and closed mixed. GEC touched 230p initially on reports of a broker's circular but reacted to finish only 2 dearer on balance at 226p. BICC ended 6 to the good at 233p, but Plessey retreated from an enhanced level of 242p to close at 234p, down 6. Thorn EMI lost 5 to 418p and Racal softened a couple of pence to 258p. Standard Telephones and Cables declined 4 more for a two-day fall of 24 to 282p on disappointment with British Telecom's decision not to choose STC as a possible supplier of the electronic local exchanges equipment needed for modernisation of its network.

Buyers continued to be attracted to Hawker ahead of next Wednesday's interim results and the close was a further 11 higher at 446p, after 452p. Other Engineering leaders were idle and a shade easier at the close. GKN softened 2 to 172p as did TI, to 190p. Elsewhere, Senior featured with a rise of 3 to 19p, after 19½p, following news of the maintained interim dividend and first-half profits recovery.

Sears disappoints

The meagre 2.8 per cent interim profits increase from Sears disappointed and the close was 4 down at 79½p. Elsewhere in Miscellaneous industrials, Fisons rose 8 to 260p on news of U.S. approval to market its Opticrom anti-allergy eye treatment drug. Reflecting the return to profitability and resumption of dividend payments, Prestwich Parker jumped 10 to 75p, while Christies International advanced 14 to 452p in response to the bumper interim profits and accompanying confident remarks about second-half trading. Ryan International gained 2½ to 19½p on news that Messrs Hotson, Mackenzie and Palmer have acquired a substantial stake in the company. Burndene Investments rose 3 more to 22½p reflecting further consideration of the excellent annual results.

Among Leisure issues, Tottenham Hotspur firmed 3 to 72p following the announcement that the company had been granted planning permission for the development of a sports and leisure complex adjoining its football stadium. Recently-dull Riley Leisure rallied 4 to 52p, while Horizon Travel, still hoping for a bid from Grand Metropolitan, gained 6 to 168p.

Recently-firm Properties lost their sparkle as interest rate optimism faded. Land Securities opened at a 1984 peak of 302p, but subsequently slipped back to close a couple of pence cheaper on balance at 298p. MEPC lost 4 to 318p and Hammerson A eased 5 to 450p. Secondary issues, however, continued to attract selective support. Warnford Investments moved up 15 to a 1984 peak of 415p, while further consideration of the recent trading statements lifted Priest Marians 10 to 525p and Westminster and Country 4 to 126p. USM-quoted Mayfair City Properties drew support in a restricted market and gained 6 to 116p. Elsewhere, Espley Trust touched 35p before falling back to close unchanged at 30p; the company has received a firm bid approach of 35p per share from Consult International, a private company controlled by Mr Ron Shuck who has been suspended from his executive responsibilities with the ET Group pending completion of investigations relating to certain properties in Scotland, which were purchased in January this year.

Messina held at 175p; dealings in the company were resumed on Monday following the announcement that South African insurance group Sanlam is offering R22.5m for a controlling interest.

Textiles provided a late feature in John C. Small and Tidmas which spurted to 90p before settling a net 28 dearer at 80p following news of a bid approach. Press comment stimulated interest in British Mohair, 5 better at 101p, while the interim profits recovery left S. Jerome 3 up at 58p. Coats Patons attracted late demand and touched 128p before closing a couple of pence to the good at 127p, while similar rises were noted in Dawson International, 238p, and Courtaulds, 133p. In contrast, Robert H. Lowe were marked down 3 to 24p following the departure of chairman and chief executive Mr Tony Cameron.

Cambrian and General Securities held at 109p and the Capital shares gained a penny to 220p following the proposed rights issue. Financials featured Britannia Arrow which spurted 6 to 73p amid speculation of a bid approach to major shareholders.

Lasmo weak

Worries over possible downward pressures on North Sea oil prices during the fourth quarter led to nervous selling of the leading Oils although losses were generally of a modest nature. LASMO were an exception, however, and dipped to 333p before closing a net 10 lower at 338p, following vague rumours of an imminent rights issue.

BP fell away to 496p prior to closing 5 cheaper at 498p, while Shell dropped to 666p before ending the day a net 2 off at 670p. Ultramar gave up 5 to 253p.

Dealers reported another sizable two-way business in Irish stocks. Atlantic Resources slipped to 104p in early trading but subsequently rallied to close 2 up on balance at 112p awaiting news from the exploration well drilled on Block 49/10 in the Celtic Sea. Eglinton closed 12 down at 118p. Osceola Hydrocarbons fell 15 to 120p, after 115p, and Bula touched a year's low of 14p prior to settling a net 2 off at 15p.

Among Overseas Traders, Inchcape eased 10 to 385p, after 382p, as the placing of a sizable line of stock proved only partially successful.

Golds down again

South African Golds lost ground for the fourth successive trading day and the sixth time in seven sessions as the bullion price remained virtually unmoved at around the $341 an ounce level.

The failure of the metal price to make any progress from these levels encouraged persistent small selling from disillusioned holders of Golds. Prices drifted easier throughout and dipped afresh after-hours in the wake of offerings from the U.S., ahead of the closure today of the Johannesburg Stock Exchange for the Kruger Day holiday.

The Gold Mines index dropped 4.2 more to 557.6—a decline off 22.9 over the past four trading days. Bullion closed 75 cents off at $340.75.

Financials were quitely mixed. London issues came under light selling pressure and showed Charter Consolidated and Consolidated Gold Fields down 3 apiece at 20p and 510p respectively. Rio Tinto-Zinc, however, attracted support and closed a couple of pence to the good at 592p. East Rand Consolidated continued to respond to speculative buying from both Johannesburg and London and advanced 4 more to a 1984 high of 64p.

A resurgence of demand for Trafalgar House positions lifted total contracts struck in Traded Options to 4,684, comprising 3,298 calls and 1,386 puts. Trafalgar recorded 647 calls, 435 of which were done in the October 280's, and 330 puts. Jaguar were also lively with 428 calls transacted.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (66)

INTL BANK & O'SEAS GOVT SLG ISSUES (1)
Mexico 16½pc 2008
AMERICANS (3)
American Nat. Resources, Florida Power & Light, Pennzoil
BUILDINGS (1)
Ibstock Johnsen
CHEMICALS (3)
Amersham Intl, Bayer AG, ICI
STORES (4)
Body Shop, Burton, Habitat Mothercare, Superdrug Stores
ELECTRICALS (5)
Bowthorpe, Emess Lighting, Northamber, [illegible]
ENGINEERING (4)
Lake & Elliot, Metalrax, [illegible]
FOODS (2)
Belam, [illegible]
INDUSTRIALS (17)
Amari, Avon Rubber, Blue Arrow, Burndene Invs, Celestion, China Light, Christies Intl, Cookson, De La Rue, [illegible]
INSURANCE (6)
Britannic Assce, GRE, Heath (C.E.), [illegible]
MOTORS (1)
Flight Refuelling
PAPER (4)
Assoc Paper, Bunzl, [illegible]
PROPERTY (3)
Berkeley Group, Mayfair City Props, Warnford Invs
TEXTILES (4)
Brit Mohair, Dawson Intl, Illingworth Morris A, Small & Tidmas
TRUSTS (4)
Ambrose Inv Inc, Fleming Enterprise, [illegible]
OILS (1)
Tricentrol
MINES (2)
East Rand Cons, [illegible]
NEW LOWS (10)
BANKS (2)
Kleinwort Benson, [illegible]
BREWERS (1)
Belhaven Brewery
ELECTRICALS (1)
Greenwich Cable
ENGINEERING (1)
Chemring
INDUSTRIALS (1)
Beatson Clark, Chemical Methods, [illegible]
PAPER (1)
[illegible]
SOUTH AFRICANS (1)
Barlow Rand
TRUSTS (1)
Asprey & Smithers
OILS (1)
[illegible]
PLANTATIONS (1)
Bertam Hldgs

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Oct 9 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Mon Oct 8 Index No.	Fri Oct 5 Index No.	Thur Oct 4 Index No.	Wed Oct 3 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (204)	528.69	+0.1	9.66	3.81	12.92	528.35	528.27	523.98	523.84	437.25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	British Government	Tues Oct 9	Day's change %	Mon Oct 8	xd adj. today	xd adj. 1984 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Tues Oct 9	Mon Oct 8	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 21,687

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+ or -	Net Div.	Times covered	Gross yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984-85. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters (or fully-paid). ‡‡ Introduction. ✱ Unlisted Securities Market. ‡ Placing price. † Figures assumed. † Units comprising one ordinary share and one option.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Atlantic Resources	112	+2
Bowthorpe	368	+23
DRG	157	+4
Eglinton Oil and Gas	118	-12
Fisons	260	+8
Gen. Accident	485	+5
Hawker Siddeley	446	+11
Osceola Hydro	120	-15
Prudential	473	+6
Sears Hldgs	79½	-4
Shell Transport	670	-2
Woolworth	515	+3

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Oct 8	Oct 19	Jan 10	Jan 21
Oct 22	Nov 2	Jan 24	Feb 4
Nov 5	Nov 16	Feb 7	Feb 18

For rate indications see end of Share Information Service

Money was given for the call of Atlantic Resources, Tuskar, Downiebrae, Venterspost, Bluemel Brothers, Pritchard Services, L and J. Hyman, Inter-City, Commercial Union, Aberfoyle, Asia Oil, Birmid Qualcast, Riley Leisure, Aspinall and Stewart Nairn. A put was done in Westland. No doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	81	14
Corpns. Dom. and Foreign Bonds	10	9	59
Industrials	228	195	962
Fin. and Props.	81	79	368
Oils	14	34	79
Plantations	3	4	16
Mines	29	61	93
Others	60	43	60
Totals	464	492	1,476

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Addison Cms.†	26	149	—
STC	22	286	-20
Glaxo	17	970	-20
Currys	15	403	+14
Pentland Inds.	13	225	+17
Bass	11	390	+12
BTR	10	[illegible]	[illegible]
Barclays Bank	10	510	+10
Beecham	10	[illegible]	[illegible]
SEET	10	107	+12
BAT Inds.	9	285	+2
Bailey (C.H.)	9	[illegible]	[illegible]
DRG	9	153	—
GUS 'A'	9	607	+14

† New

LONDON TRADED OPTIONS

Option	Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Dec.	Calls Mar.	Calls June	Puts Dec.	Puts Mar.	Puts June
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Oct. 9. Total Contracts 4,684. Calls 3,298. Puts 1,386

* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
105¾	101½	Treas. 15pc 1985	101½	+¹⁄₁₆	14.77	10.24
102¼	100	Exch. 12pc Cnv. '85	100½	.....	11.93	10.58
95¾	93¾	Treas 3pc 1985	95½	.....	3.14	10.41
102¾	99½	Treas 11½pc 1985	100½	–¹⁄₁₆	11.45	10.78
99¾	96½	Treas 8¾pcCnv '85	98½	+¹⁄₁₆	8.89	10.65
104½	99½	Exch. 12¼pc 1985	101½	+¹⁄₁₆	12.08	10.81
103½	99½	Exch. 11¼pc '86	100¾	–¹⁄₁₆	11.65	10.97
102½	96½	Treas. 10pcCnv 1986	98½xd	.....	10.35	11.12
91	88¾	Treas 3pc 1986	90½	+¹⁄₁₆	3.30	9.18
102	96¾	Exch. 10½pc Cv '86	98½	.....	10.61	11.20
104½	99½	Treas 12pc 1986	101	–¹⁄₁₆	11.88	11.28
98¾	93½	Treas 8½pc 1984-86‡‡	96	–⅛	8.85	11.05
108½	102½	Exch. 14pc 1986	105xd	.....	13.33	11.23
87¾	85	Exch. 2½pc 1986	86⅞	.....	2.88	9.48
107½	100½	Exch. 13¼pc 1987	103½	–¹⁄₁₆	12.80	11.40
100⅞	94½	Treas 10¼pcCv '87	97⅝	–¹⁄₁₆	10.50	11.38
86¾	83¾	Exch 2½pc 1987	85½	+¹⁄₁₆	2.92	9.34
101½	94½	Exch. 10½pc 1987	98½	–⅛	10.71	11.42
92½	87	Funding 6½pc '85-87‡‡	90¼xd	.....	7.21	11.06
99⅝	92⅞	Treas. 10pc 1987	96¼	–⅛	10.39	11.60
85	81½	Treas 3pc 1987	83½	+¹⁄₁₆	3.58	9.88
105	97¼	Treas. 12pc 1987	101¼xd	–⅛	11.85	11.50
94⅞	87½	Treas 7¾pc 1985-88‡‡	90½	+⅛	8.56	11.25
100¼	92½	Exch 10½pc '88	96½xd	–⅛	10.83	11.60
98½	89½	Treas 9¾pc Cv '88	94½	–⅛	10.34	11.67
82	77	Transport 3pc '78-88	78½	+⅛	3.84	10.17
96½	88½	Treas. 9½pc '88	92½xd	–⅛	10.22	11.75
106¾	94½	Treas 11½pc 1989	99½	–⅛	11.57	11.65
95½	87½	Treas 9½pc Cnv. '89	93½xd	–⅛	10.16	11.38
96½	90½	Treas 10½pc 1989	95½	–⅛	10.96	11.67
100½	88⅞	Exch.10pc 1989	93½	–⅛	10.65	11.67
98¾	94¼	Exch 11pc 1989	97¼	–⅛	11.30	11.69

Five to Fifteen Years

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
85¾	77½	Treas 5pc 1986-89	79⅝xd	.....	6.27	10.29
112¾	100¼	Treas 13pc 1990‡‡	105½	–⅛	12.33	11.57
110⅞	100¼	Exch. 12½pc 1990	103¾	–⅛	12.11	11.68
93¼	84⅞	Treas 8¼pc 1987-90‡‡	90⅝	.....	9.38	11.15
98½	90⅝	Treas. 10pcCv 1990	92⅞xd	–⅛	10.72	11.58
107	94¼	Treas 11¾pc 1991	103¾	–⅛	11.70	11.62
84¼	75⅝	Funding 5¾pc '87-91‡‡	79¼	–⅛	7.27	10.25
105¾	93⅞	Exch. 11pc 1991	97¾xd	–⅛	11.24	11.46
112⅝	98⅞	Treas 12¾pc 1992‡‡	106¼	–⅛	12.09	11.59
100⅝	86	Treas 10pc 1992	94¼	.....	10.77	11.44
96½	94½	Treas 10½pc Cv 1992	96	–⅛	11.03	11.45
111¼	95¾	Exch. 12¼pc '92	104½	–⅛	11.90	11.65
117½	106¼	Exch 13½pc 1992	109¼	–⅛	12.38	11.71
113⅝	98¼	Treas 12½pc 1993‡‡	108½	–⅛	11.89	11.54
78¾	71¼	Funding 6pc 1993‡‡	75¼	.....	8.02	10.39
121¾	106¼	Treas 13¾pc 1993‡‡	117¼	–⅛	12.28	11.57
126⅝	108¼	Treas 14½pc 1994‡‡	118¾	–⅛	12.37	11.46
120⅝	106	Exch 13½pc 1994	110¼xd	–⅛	12.18	11.59
114¼	96¾	Exch. 12½pc 1994	107¼	–⅛	11.84	11.53
94½	82⅞	Treas 9pc 1994‡‡	91¼	–⅛	10.28	11.07
109¼	94⅞	Treas 12pc 1995	105⅝	–⅛	11.64	11.46
64¼	58¾	Gas 3pc '90-95	62¼xd	.....	4.81	8.45
99½	86	Exch. 10¼pc 1995	95¾	–⅛	11.02	11.38
117⅞	102⅝	Treas 12¾pc 1995‡‡	107¼xd	–⅛	11.70	11.32
122⅝	106⅞	Treas. 14pc '96	118⅝	–⅛	12.12	11.48
94⅝	83½	Treas 9pc 1992-96‡‡	88	–⅛	10.30	10.96
134⅞	118¼	Treas 15¼pc 1996‡‡	123¼xd	–⅛	12.29	11.45
122¼	106½	Exch 13¼pc 1996‡‡	111¼xd	–⅛	11.72	11.23
69½	63¼	Redemption 3pc 1986-96	67¼	–⅛	4.47	7.14

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

1984 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
38⅞	26⅞	Abbott Labs.‖	31½xd	+½	$1.20	—	3.1
24⅝	11⅝	Ahmanson (H.F.)	17¼	+⅛	$1.20	—	5.6
34¼	22¾	Alcoa $1	26½	.....	$1.20	—	3.5
39½	21⅝	Allied Corp $1	29¼	–⅛	$1.80	—	5.0
18⅝	13¼	Amax $1	15	+⅛	20c	—	1.0
11	731p	Amdahl 5c	893p	–55	20c	—	—
28⅞	20⅝	Amer. Express $0.60	26¼	–⅛	$1.28	—	3.9
20⅞	14½	Amer Medical Int $1	19xd	+⅛	60c	—	2.4
30⅞	20⅝	Amer. Nat. Res. $1	30⅞	+⅞	h$1.41	—	3.5
16¼	10⅝	American T. & T. $1	15¼	+⅛	$1.20	—	6.1
61½	43¼	Ameritech $1	59¼	+⅛	$6.00	—	8.2
21½	15½	Amfac‖	19	+⅛	$1.44	—	5.8
30½	16½	♦Arid Tech‖	30½	.....	—	—	—
16¼	10¾	Bankamerica $1½	14	.....	$1.52	—	8.3
41⅞	27½	Bankers N.Y. $10	38½	–⅛	$2.45	—	5.1
63¼	46⅞	Bell Atlantic $1	61¼	+¼	$6.40	—	8.5
26¾	19½	Bellsouth $1	25⅝xd	.....	$2.60	—	7.8
20⅞	12⅝	♦Beth Steel $8	14½	+⅛	60c	—	3.3
20¼	11⅞	Bowater Inc.	17⅞	+⅛	072c	—	3.3
32¼	19⅝	Brown'g-Fer. 16⅔c	29	.....	96c	—	2.5
28¼	16⅝	Brunswick Corpn.‖	25¾xd	–⅛	80c	—	2.4
770p	590p	♦Business Computer	723p	.....	—	—	—
32⅝	24¼	CPC Intnl. 25c	31¼xd	+⅛	$2.20	—	5.7
56	39¼	Campbell Soup 60c	58⅞	+⅜	$2.30	—	3.2
36½	25¾	Caterpillar Tractor‖	25½xd	.....	$1.50	—	4.5
36⅞	27¼	Chase M'htn $12.5	32½xd	–⅛	$3.65	—	9.2
26½	17¼	Chemical New York	22¾	+⅛	$2.36	—	8.0
31⅛	22⅞	Chesebrough-Pond's $1	29½	+⅛	$1.92	—	5.0
26⅛	15½	Chrysler $6¼	23¾	.....	60c	—	1.9
31⅛	19⅞	Citicorp $4	27¼	–⅛	$2.06	—	5.8
32½	21⅞	City Inv. $1.25	32¼	+⅛	$2.00	—	5.0
20⅞	14⅝	Colgate-P. $1	20⅝xd	–⅛	$1.28	—	4.8
25½	17	Cons. Foods $1⅓	24½	.....	$1.30	—	4.1
15½	204p	Cont. Illinois $5	447p	+3	—	—	—
275p	136p	♦Corporate Data Scnce.	162p	.....	—	—	—
26¼	20⅝	Crown Zell. $5	24	.....	$1.00	—	3.2

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

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INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
46	29	Marshall L'xy 'A'	34xd	.....	†1.2	3.6	5.0	(6.1)
*54	37	Marshall's Univ	48	.....	H1.75	—	5.2	14.4
82	77	Do. 7½pc Cn Red Pf £1	82	.....	7½%	—	13.1	—
30	20	Martin-Black	22½	.....	—	—	—	—
£108	£88	♦Mathesons 7¾%	£95	.....	Q7¾%	2.3	8.2	—
378	287	Metal Box £1	342	+4	15.0	3.0	6.3	5.8
220	129	Metal Closures	146	−2	6.3	2.3	6.2	(8.1)
27	13	♦Metal Sciences 2½p	14	.....	—	—	—	—
19	8	Metamec Jentique	9½	.....	0.01	—	—	—
133	83	♦Midland Marts	110	+3	4.0	1.8	5.2	13.9
67	45	Mitchell Cotts	67	.....	4.0	♦	8.9	♦
29	13	Molten Grp 1p	14½	+½	‡♦0.5	2.5	4.9	(9.1)
168	132	Morgan Crucible	152	+1	†7.5	1.2	7.2	(15.0)
18½	13½	♦Morris (W) Fine Arts	17	+½	bg0.25	4.0	2.1	15.6
97	80	Moss (Robt.) 10p	97	+1	2.5	2.9	3.7	11.8
330	197	♦NMW Computers	290	.....	6.0	3.0	3.0	16.0
65	45	Nash Inds.	45	.....	4.0	2.2	12.7	5.2
47	30	Neill&Sp'ncer10p	33	.....	—	—	—	14.2
33	16	Newman Industs	17	.....	—	—	—	(9.6)
31	16½	Do. 10pc Cn.Cm.Pf.	19	.....	10%	—	7.5	—
67	43	Nolton	43	.....	1.0	2.9	3.3	15.1
175	152	Norcros	168	.....	7.5	2.4	6.4	8.9
86	38	Nu-Swift 5p	38	.....	—	—	—	11.3
100	50	Oakwood Grp.	78	.....	‡♦6.5	—	‡	—
190	145	Office & Elect.	165	.....	7.5	2.8	6.5	7.4
875	700	Oriflame Intl SA	750xd	.....	†Q53c	2.2	5.6	8.0
46	22	Ovenstone 12½c	26	.....	Q4.5c	2.2	8.9	5.1
£146	£120	Ozalid Fin. Cv.	£142	.....	Q9%	—	♦6.5	—
190	150	♦PCT Grp 10p	155	.....	bg4.8	♦	4.3	♦
£12½	975	PLM 'B' Sk 25	975	.....	Q20%	3.2	4.7	6.6
62	40	♦Pacific Sales 10p	42	.....	b2.4	2.2	8.2	(6.3)
207	148	Parker Knoll 'A'	151xd	.....	9.0	♦	8.5	♦
265	197	Pauls	225	.....	8.5	2.8	5.4	8.2
590	403	Pearson	553	+5	†14.0	3.0	3.6	11.0
35	20	Peek Holdings	21	.....	—	—	—	—
107	89	Peerless	90	.....	6.3	1.4	10.0	9.1
235	55	Pentland 10p	233	−2	†b1.74	4.1	1.1	24.8

LEISURE—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr
46	9	♦Nimslo Int 20c	31	.....	—	—
*137	104	Norton Opax 10p	120	.....	Gd3.0	2.6
31½	14½	♦Owners Abroad	18¼	+¼	0.75	6.1
66	35	Photax (Lon.)	39	.....	—	—
29½	20	♦P'dilly Radio NV 5p	24	.....	b1.88	1.0
130	73	♦Pineapple Dnc St 10p	93	.....	d1.5	4.0
420	285	Pleasurama 5p	338	.....	6.5	4.7
16	10½	♦Pres Entertain 10p	15½	.....	bg0.4	2.0
158	73	♦Radio City 'A' NV	75	.....	5.6	1.9
70	55	♦Radio Clyde N/V	55	.....	3.0	1.4
148	48	Riley Leisure 10p	52	+4	‡4.2	2.4
138	94	Saga Hols. 20p	136	.....	†3.75	1.6
650	290	Samuelson Grp £1	650xd	.....	13.3	♦
27½	18	♦Sangers Photo 10p	20	+1	bg1.25	1.8
178	98	Scott. TV 'A' 10p	178	.....	8.1	2.9
413	186	SeaCo Inc $0.125	315	+2	—	—
35	12	♦Selec TV 10p	22	−1	—	—
140	122	♦Spectrum 5p	125	.....	b2.0	4.2
37	24	TSW 5p	31	.....	1.2	2.2
156	79	TVS N/Vtg 10p	155	.....	t5.0	♦
30	22	♦Television Svcs 10p	26½	.....	g0.2	3.7
90	60	Tottenham Hotspur	72	+3	d2.3	1.6
161	120	Trid'nt TV 'A' 10p	151	.....	†5.5	1.8
173	100	♦21st Century Dist.	161	.....	—	—
197	135	♦Tyne Tees TV 'A' £1	150	.....	8.25	2.4
91	53½	Ulster TV N/V 'A'	91	.....	h4.0	2.5
28	17	Webb (Jos.) 5p	27	.....	d0.51	1.0
98	88	Zetters 5p	92	.....	3.25	3.0

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr
76	33	BL 50p	40	−2	—	—
255	227	Gen. Mts. Units	227	.....	Q12c	—
464	294	Honda Motor Y50	416	+1	Q23%	8.6
197	170	Jaguar	194	−1	b7.75	2.8
85	54	Lotus Car 10p	54	[illegible]	[illegible]	[illegible]

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

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PROPERTY

PROPERTY—Continued

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SHOES AND LEATHER

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TRUSTS, FINANCE, LAND

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Finance, Land, etc

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OIL AND GAS—Continued

OVERSEAS TRADERS

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Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

INSURANCES

LEISURE

MINES—Continued

Central African

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
280	145	Falcon Z50c	160	+10	Q100c	♦	36.4
17	8	Wankie Col. Z$1	10	.....	—	—	—
21	14	Zam.Cpr.SBD0.24	16	.....	—	—	—

Australians

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
45	23	♦ACM 50c	35	.....	—	—	—
38	17	♦Allstate Expl'n. NL	18	.....	—	—	—
10½	3½	♦Asia Oil & Minerals	3½	.....	—	—	—
19½	12	♦Aus. Hydrocarbons NL	18	.....	♦	—	—
28	16	♦Australis Mng NL	16	−½	—	—	—
45	15	♦Balmoral Res	23	.....	—	—	—
36	18	♦Black Hill Mins	22	−1	—	—	—
104	77	♦Bond Corp	97	+1	Q10c	♦	7.0
177	90	♦Bougainville 1 Kina	118	−1	Q16.4c	1.2	9.1
406	276	♦CRA $2	334	−8	†Q12c	1.5	2.4
86	44	♦Carr Boyd 20c	58	−1	—	—	—
40	18	♦Central Kalgoorlie	18	.....	—	—	—
43	20	♦Central Pacific	36	.....	—	—	—
4½	2½	♦Cons Gld Mg Areas NL	2½	.....	—	—	—
8½	4½	♦Coopers Res. NL	6½	.....	—	—	—
26	8½	♦Cultus Pac NL	9½	−½	—	—	—
14½	6½	♦Eagle Corp 10c	6½	.....	—	—	—
280	160	♦Emperor Mines	195	.....	—	—	—
16½	7½	♦Endeavour 20c	11	−¼	—	—	—
32	22	♦Enterprise Gld.	25	+1	—	—	—
35	18	♦Forsayth Oil Gas	26	+½	—	—	—
62	52	♦Gem Exp & Minerals	58	.....	—	—	—
765	355	♦GM Kalgoorlie 25c	390	.....	Q30c	♦	5.1
24½	13	♦Great Eastern Mns.	15	.....	—	—	—
55	19	♦Great Victoria Gold	36	.....	—	—	—
18	8	♦HMC Aust NL 20c	9	.....	—	—	—
22	8½	♦Haoma NW	9	.....	—	—	—
40	20	♦Hill Minerals N.L.	22	−1	—	—	—
10½	4½	♦Ivanhoe Gld NL	6	.....	—	—	—
42	31	♦Jingellic Mnls.	38	.....	—	—	—

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 39

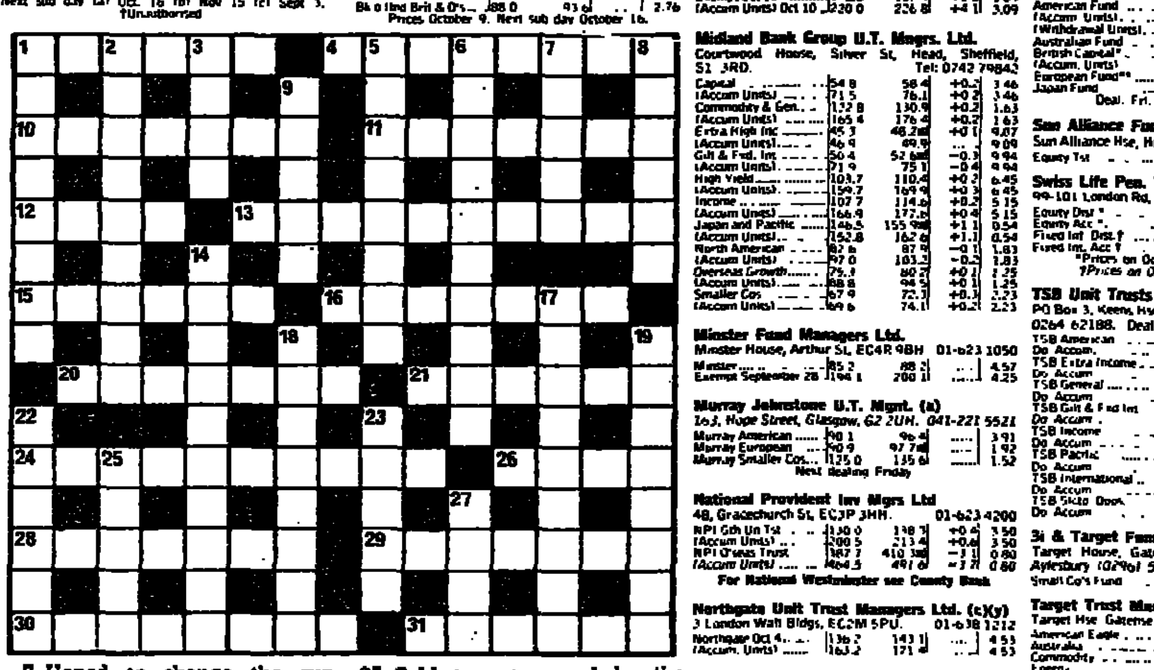
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,539



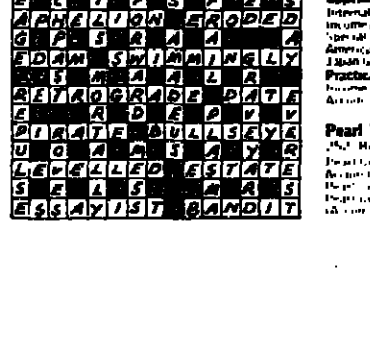
ACROSS

1 Consider taking some water to Elizabeth (6)
4 Tactful princess has unusual secret (8)
10 Part of the lock which may hold water (7)
11 Ring me during the entertainment, one way or another (7)
12 After first encounter with rough sea, rest (4)
13 Sarah has a male, red-backed, amphibian (10)
15 Church vessels in which milk was kept (6)
16 School girl takes in a hand-reared lamb (7)
20 Leading ladies speak glibly about the record (7)
21 One of its passengers will be late (6)
24 The bizarre sea-lion act is to get a rapid increase (10)
26 It'll take you there and back at eleven (4)
28 Savings made, for example, in a re-designed Gents (4-3)
29 Hard to catch except when returning about five, that is (7)
30 Dealing with tea refinement in town (8)
31 In that case the soldiers are a menace (6)

DOWN

1 The coppers have a vermouth brought back in for her (8)
2 The stupid chap is unable to move his cranium (9)
3 Rising, one's rest unfinished, to find the swimmers (4)
5 Nice break in which to see the boy, for example (8)
6 Seize arbitrarily the note the police officer is holding (10)
7 Hoped to change the surplice (5)
8 Tastelessly showy attempt to conceal the wild daw (6)
9 Bill takes a quarter of an hour rest (5)
14 In a very short time, left me one of a number of payments (10)
17 One spreads it when shipping fish in (9)
18 Figure it's in Arlington, Virginia (8)
19 Reserved fresh case for half-time (8)
22 Kind of butter I leave Petunia mixing (6)
23 Getting through, all right, in the card game (5)
25 Cold teas arranged by the class (5)
27 Blow fifty on the deposit (4)

Solution to Puzzle No. 5,538



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INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Mallinhall Ltd				
36 Berkeley Sq, W1X 5DA. 01-499 6634				
M'hall Mny Fd	9.88	10.27	Qtr	Call
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	10.60	10.95	+0.10	Call
7-day Fnd	10.55	10.90	+0.04	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.42	10.69	6-mth	Call
7 day Fund	10.28	10.54	6-mth	7-day
Money Mngt Acct	10.25	10.65	3 mth	Call
Dollar	9.19	9.44	6-mth	7-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.375	10.78	Qtr	Call
Monthly Inc Chq Acc	10.25	10.74	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	10.10	10.50	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.25	10.65	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	10.375	10.883	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	10.25	10.75	Mth	Call
U.S. Dollar	10.50	11.17	Mth	Call
German Marks	5.0	5.19	Mth	Call
Swiss francs	2.0	2.05	Mth	Call
Japanese Yen	6.0	6.25	Mth	Call
Cheulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	10.75	11.30	Mth	Call
Co-operative Bank				
78-80 Cornhill EC3 01-626 6543 Ex 464				
Cheque & Save	8.50	8.77	Qtr	Call
Over £1,000	10.00	10.38	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	10.25	10.66	Qtr	Call
Lombard North Central PLC				
17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	10.625	10.91	Rate	14-day
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc	10.30	10.85	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	10.00	10.38	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int. Std Acc	9.71	10.20	Daily	Call
Premier Acc	9.71	10.20	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	10.29	10.70	Qtr	Call
Money Acc	10.25	10.65	Qtr	Chq 7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	10.15	10.65	Mth	Call
Over £10,000	10.40	10.92	Mth	Call

NOTES Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit

NOTES

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COMMODITIES AND AGRICULTURE

Irish milk quota issue may go to European Court

BY BRENDAN KEENAN IN DUBLIN

THE Irish Government has warned that it will go to the European Court if necessary in the latest controversy over the increased milk production awarded to Ireland in EEC quota negotiations last March.

The Irish claim that their production for this year should be almost 60,000 tonnes higher than the figure agreed in the negotiations.

The EEC allowed Ireland a 4.64 per cent increase above its last year's production after tough bargaining in which Dr Garret FitzGerald, the Irish Prime Minister, staged a walkout.

The problem has arisen because actual output for last year turns out to have been considerably larger than the provisional figures used in the negotiations.

There are already recriminations in Dublin over the scale of the error, equivalent to almost 1 per cent of total output.

Most of it was attributable to the production of a large co-operative in Co Cavan. The confusion appears to have arisen over whether to include the output going to a subsidiary which makes cream liqueur.

The co-operative's manager says the fault lay either with the Agriculture Department or the Central Statistics Office, which had been supplied with full information.

The disputed production would be worth an estimated I£12m (£9.8m) a year and Mr Austin Deasy, the Irish Agriculture Minister, met EEC Commissioner Mr Poul Dalsager on Monday to discuss the matter.

Mr Dalsager is not willing to accept the higher figure, apparently on the basis that there was an understanding the March figures would be final.

Mr Desy argued that it is nonsensical to base Ireland's quota other than on the actual 1983 output. His government is confident he has a good case to bring before the Court of Justice if the European Commission does not agree to the higher figure.

Richard Mooney writes: In Britain meanwhile the Agriculture Ministry is concerned that too many dairy-farmers are seeking special treatment under the system which allows bigger quotas to producers whose production in the 1983 base-year was affected by special circumstances.

"It is very worrying that some producers are pursuing claims which stand no chance of success," Mr Michael Jopling, the Agriculture Minister, said yesterday.

He noted that only about a quarter of cases taken to the special tribunal resulted in the award of extra quota.

"Many producers could avoid wasting their own time and money if they studied the specific requirements which must be satisfied before extra quota can be awarded," he said.

He said time wasted on these hopeless cases meant some deserving cases would have to wait longer than was desirable for a decision.

Sugar market hours to be extended

By John Edwards, Commodities Editor

THE London Sugar Futures market is to extend its trading hours to incorporate officially the late afternoon kerb. From November 1 market hours will be 10.30 am to 7 pm, with a lunchbreak between 12.45 pm and 2.30 pm and a mid-afternoon call session at 4.40 pm.

The change will mean kerb business will be confirmed by the International Commodities Clearing House on the same day, instead of being carried over to the following morning.

It is part of a general move by the London sugar futures market to streamline trading activities in an effort to recapture some of the business lost in the past year.

Latest figures from the International Commodities Clearing House showed that turnover on the London raw sugar futures market in the first nine months of this year dropped to 500,265 lots.

This compared with 880,673 lots on the sterling contract and 28,733 lots on the dollar contract, in the corresponding period last year.

Cocoa remained the most heavily traded "soft" (non-metal) commodity futures market in the first nine months of the year, with a cumulative total turnover of 1,084,677 lots against 1,013,076 in the corresponding period last year.

Turnover on the coffee futures market was also up, at 761,901 (623,692) lots.

However, turnovers were down in the first nine months of this year for gasoil at 361,952 lots against 462,476 during *January-September last year:* potatoes 165,931 (183,083); gold 79,227 (144,801) and natural rubber 10,417 (53,258).

Soyabean processors face problems

BY ANDREW GOWERS

POOR RETURNS from crushing soyabeans are causing severe problems for processors and putting upward pressure on soyabean oil prices, according to Mr Charles Erickson, corporate economist with Cargill, the U.S. commodity trader.

He told the American Soyabean Association's Outlook *Conference* at the *Post House* Hotel, Heathrow, yesterday that soyabean meal prices, which have been under pressure as a result of depressed demand for animal-feed and sharp competition from other products, such as maize gluten, could weaken further.

As a result processors were looking increasingly to the oil to provide the necessary return and the processing business was becoming more and more led by by demand rather than supply.

According to official U.S. estimates oil now provides 48 per cent of the revenue from crushing soyabeans, compared with only 30 per cent two years ago.

Mr Erickson said that between July and September U.S. processors were operating at 56 per cent of capacity. As a result their margins improved substantially.

"But when an entire industry has been subjected to returns that fall short of covering *costs for three-and-a-half years,* it is obvious that many companies are on the brink of closing forever," he said.

Former Rhodesians develop Thailand's tobacco industry

BY CHRIS SHERWELL, RECENTLY IN CHIANG MAI

IT IS not only dusty-edged streets, colourful flowers, low buildings and open spaces which create the unlikely illusion o fold Rhodesia in Chiang Mai.

A group of former white Rhodesians is there, too—growers, buyers and blenders—who are helping to develop Thailand's tobacco industry.

Thailand is not widely known for tobacco while Chiang Mai usually conjures up images of hill tribes, opium warlords and the Kuomintang Army driven from out of China.

The Thai tobacco industry has, however, existed since the 1930s, started by British American Tobacco and now dominated by the official Thai Tobacco Monopoly.

This year it will take perhaps a third of the 40,000 tonnes of tobacco produced, with the rest going for export.

This total is less than in previous years, when it has topped 52,000 tonnes, and is small compared to the U.S. or present-day Zimbabwe.

About four-fifths of the output is flue-cured Virginia tobacco, grown in the north around Chiang Mai. Further south, burley tobacco is grown, which is air-cured. A small quantity of oriental or Turkish tobacco is also harvested.

The official tobacco monopoly is not directly involved in growing, curing or exporting Thai tobacco. Indeed, in simply manufacturing cigarettes for the home market it actually needs to import tobacco to supplement the local product, which is low-nicotine filler tobacco.

The monopoly must also compete against smuggled foreign brands which are freely avail*able on the streets of Bangkok.* BAT, Philip Morris and Reynolds have each proposed a joint venture for the manufacture of their brands in Thailand. A decision is awaited.

In the growing, curing and export of Thai tobacco, however, at least nine companies with foreign interests are involved, all located in Chiang Mai.

Take the two companies actually involved directly in growing: Universal Leaf Tobacco of the U.S., through a group called Thai-Am Tobacco, and Standard Commercial also of the U.S., in the Siam Tobacco Export Corporation (Stec). Each has a local partner. Thai-Am has a banking partner, too.

In other countries, like Zimbabwe, commercial farmers own their own land, employ their own labour and cure the tobacco they produce in their own barns.

In Thailand, companies like Thai-Am grow seedlings and supply them — together with fertiliser, insecticide, cash advances and advice—to tens of thousands of peasant farmers who often rent their tiny plots of land from absentee landlords.

For these farmers tobacco is usually their second crop after rice, which is often used to pay rent in kind. Tobacco offers them cash. The two companies buy the harvested leaves which they will cure themselves.

This covers a sizeable fragment of the total crop—say 10 per cent of the total in the case of Thai-Am. Several hundred Thai curers buy up the rest. At this point all the foreign-related companies will come into the business.

They buy the cured tobacco and start blending it carefully for customers from Japan, the U.S., Britain, Sweden and else*where. This, say those in the* industry, is where the money can be made—and this is where the former Rhodesians play their crucial role, rather than in improving crop yields.

Their presence is a result of Mr Ian Smith's unilateral declaration of Rhodesian independence in 1965. In provoking economic sanctions it heaped trouble on the local tobacco industry.

Countries including Brazil, South Korea, The Philippines and Thailand all benefited, and white Rhodesians dependent on the industry started to leave.

A handful of Rhodesian growers came to Thailand in the late 1960s and early 1970s. In time, buyers and dealers who had decided to go it alone in neutral countries like Switzerland spread their wings and now do business with independent Zimbabwe, Thailand and other countries. They move with the seasons but many have settled in Chiang Mai.

Though they have brought some unkind publicity on themselves with their parties and socialising, to the tobacco industry they have brought finely-honed skills in blending different grades of Thai tobacco and introduced the essential quality control necessary to attract foreign customers.

The need for such consistency has never been greater. The anti-smoking campaign has hit tobacco consumption in rich countries, while Thailand itself has suffered because the local currency, the baht, has moved upwards with the strong dollar just as its major competitors have devalued their currencies.

Thailand has drawn some benefit from the general shift in taste to mild cigarettes, and future hopes lie in market growth in Third World countries and especially among women.

Cigarette-making technologies, however, are becoming more efficient too, and the general outlook is not encouraging.

Tin prices rise again on LME

TIN PRICES rose again on the London Metal Exchange yesterday, following further support buying by the buffer stock of the International Tin Council. Standard grade cash tin rose by £140 to £9,650 a tonne. The upward trend was accelerated by speculative buying interest.

Meanwhile, aluminium lost further ground. Cash aluminium dropped by £8.5 to £792.5 a tonne, while the three month quotation fell by £9.5 to £815.75.

Another U.S. producer, Consolidated Aluminium, a subsidiary of Alusuisse, announced it was cutting output still further at its New Johnsonville plant in St Louis due to high power costs and deteriorating primary aluminium prices.

● SUGAR production in the EEC for 1984-85 was forecast at 12.5m tonnes (white value) in a report published yesterday by S. & W. Berisford, the London brokers. The figure compares with one of 12.19m tonnes (raw value), equivalent to about 11.2m tonnes of whites, issued by Woodhouse, Drake and Carey (Sugar), another London broker, on Monday.

● CADBURY TYPHOO raised wholesale tea prices on all trade orders taken from yesterday due to recent sharp price rises at world auctions, the company said.

The move, which follows a similar announcement by Brooke Bond Oxo on Monday, is expected to lead to retail prices rising from 107p to about 119p for a packet of 80 tea-bags.

● FEED GRAIN offers for intervention received by Britain's Home Grown Cereals Authority reached 2,006,824 tonnes on Monday.

Feed wheat offers were 32,000 tonnes, bringing the total since the season started on August 1 to 1,374,921 tonnes. Barley registrations of 6,200 tonnes raised the volume to 631,903 tonnes.

PRICE CHANGES

In tonnes unless stated otherwise	Oct. 9 1984	+ or —	Month ago
Metals			
Aluminium	£1100	......	£1100
Free Mkt	$1045/1175	—30	$1080/090
Copper			
Cash h Grade	£1025	—0.25	£1021
3 mths	£1047.75	+2.5	£1041.25
Cash Cathode	£1031	+5	£1030.5
3 mths	£1048.75	+6.25	£1041.5
Gold troy oz	$340.75	—0.75	$341.25
Lead Cash	£326.5	—2.25	£311.5
3 mths	£330.75	—0.5	£320.5
Nickel	£5333	......	£5333
Free Mkt	213/233c	+1	212/232c
Palladium oz	$138.25	—0.25	$138.00
Platinum oz	$320.00	—2.5	$329.25
Quick Silver†	$502/510	......	$500/510
Silver troy oz	587.20p	......	563.80p
3 mths	602.05p	—0.05	578.15p
Tin cash	£9650	+140	£9535
3 mths	£9602.5	+135	£9438
Tungsten	$85.67	......	$87.85
Wolfram22 04lb	$84/87	......	$83/84
Zinc	£609	—3.5	£613.5
3 mths	£605.25	—1.25	£614.5
Producers	$880/940	......	$940/980

	Oct. 8 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1380v	......	$1160
Groundnut	‡	—10	‡
Linseed Crude	‡		‡
Palm Malayan	$625x	—5	$615
Seeds			
Copra Phil	$770w	......	$630
Soyabean(U.S.)	$245.5	+2	$257.5
Grains			
Barley Fut.Jan.	£110.75	......	£108.00
Maize	‡	......	‡
Wheat Fut.Jan.	£110.80	—0.05	£108.00
No2 Hard Wint.	‡	......	‡
Other commodities			
Cocoa ship't*	£1971	—1	£1929
Futures Dec.	£1890.5	—0.5	£1828.5
Coffee Ft. Jan.	£2285.5	+15	£2429.5
Cotton Aindex	72.65c	+0.1	73.90c
Gas Oil Nov.	$241.75	—0.5	$238.75
Rubber (kilo)	60p	—2	62.5p
Sugar (raw)	$125y	—5.5	$117
Woolt'ps 64s	467p kilo	......	465pkl

‡ Unquoted. x Nov. w Nov-Dec. v Sept-Oct. y Oct-Nov. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.75-28.00	+0.10
Dubai Fateh	27.35-27.45	+0.03
Arab Heavy	26.80-26.95	—
North Sea (Forties)	28.45	+0.10
North Sea (Brent)	28.70-28.80	—0.05
African(BonnyLi'ht)	28.75-28.80	—0.03
Urals	28.10-28.30	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	265-268	—1
Gas Oil	242-246	—1
Heavy fuel oil	184-188	—

GAS OIL FUTURES

Despite some strength in New York, the gas oil market failed to open higher and weakened further in line with physicals. Heavy U.S. selling just before the break moved prices quickly to the lows. Trade buying on both sides of the Atlantic lifted the market in the afternoon, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Oct.	237.50	—0.75	238.50-38.00
Nov.	241.75	—0.50	245.00-40.25
Dec.	245.25	—0.50	248.25-43.75
Jan.	245.25	—0.75	248.25-44.00
Feb.	241.00	—1.25	242.00-39.75
March	236.00	—2.00	238.00-35.00
April	232.00	—4.00	233.25-32.00

Turnover: 3,773 (2,496) lots of 100 tonnes.

GOLD MARKETS

Gold fell $¾ on the London bullion market yesterday, to $340½-341. The metal opened at $341½-342, and was fixed at $341¼ in the morning and $341 in the afternoon. It opened at the day's peak of $341½-342, and touched a low of $340¼-340¾.

In Paris the 12½ kilo gold bar was fixed at FFr 103,300 per kilo ($340.75 per ounce) in the afternoon ,compared with FFr 103,300 ($341.57) in the morning, and FFr 103,000 ($343.21) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,730 per kilo ($341.46 per ounce), against DM 33,555 ($342.98) and closed at $340¼-340¾ compared with $341½-342.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $341.30 per ounce, against $342.90.

In Zurich gold finished at $340¾-341¼, compared with $341½-$342.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Oct.	—	—	—
Dec	346.50-46.80	—0.55	347.00-48.00
Feb.	—	—	—
April	—	—	—
June	—	—	—
Aug	—	—	—

Turnover: 230 (162) lots of 100 troy ounces.

	Oct. 9		Oct. 8	
Gold Bullion (fine ounce)				
Close	$340½-341	(£276¾-277¼)	$341¼ 341½	(£276¼-276¾)
Opening	$341½-342	(£276¾-277¼)	$342½-343	(£276½-277)
Morning fixing	$341.25	(£276.876)	$342.75	(£276.300)
Afternoon fixing	$341.00	(£276.226)	$341.60	(£276.152)

Gold and Platinum Coins Oct. 9

Krugrnd	$351-351¾	(£285½-286)	King Sov	$81½ 83	(£66½-67½)
½Krug.	$181-181¾	(£147¼ 147¾)	Victoria Sov	$81½-83	(£66½-67½)
¼ Krug.	$92¼-93	(£75-75¾)	French 20s	$65 66½	(£52¾-54)
1/10 Krug.	$37¼ 38½	(£30¼ 31¼)	50 Pesos Mex	$423-424½	(£344-345¼)
Mapleleaf	$350¾-351½	(£285¼-285¾)	100 Cor-Aust	$333 336	(£270-273¼)
New Sov.	$80¼-80¾	(£65¼ 65¾)	$20 Eagles	$490-520	(£398½-423)
½ New Sov.	$48¼ 49	(£39¼ 39¾)	Noble (Plat.)	$329-332¾	(£267¾-270¾)

EUROPEAN MARKETS

ROTTERDAM, October 9.

Wheat—(U.S. $ per tonne): U.S. two soft red winter. Nov 158, Dec 158.75. Jan 160.75, Feb 162, March 162.50. U.S. two northern spring 14 per cent protein, Oct 174.50, Nov 174.75, Dec 178, *Jan 184, Feb 186.50, March 188 50.* April /May 180. U.S. northern spring 15 per cent protein, Oct 183.25, Nov 187.50. U.S. three hard amber durum. Oct 187, Nov 187.50, mid-Nov/mid-Dec 190, April/May 200. Canadian one western amber durum. Oct/Nov 206.75. Nov 209, Nov/Dec 209.

Maize—(U.S. $ per tonne): U S. three yellow, afloat cif Ghent 152, Oct 135.50, Nov 135, Dec 135.50, Jan/March 137.50, April/June 139 sellers. Argentine Plate, mid-Oct/mid-Nov 178, April/June 148 sellers.

Soyabeans—(U.S. $ per tonne): U.S. No. two yellow Gulfports, Oct 240, Nov 237.75, Dec 239 50, Jan 244.25, Feb 247.50, March 250.50, April 253, May 254 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent, Oct 165, Nov 165.50, Dec 166.50, Nov/March 168 sellers. Pellets Brazil, afloat 174, Oct 177, Nov 181, Dec 184, Jan 188 sellers. Pellets Argentine, afloat 167, Oct 166, Nov 166, Dec 167, Jan/March 176 sellers.

PARIS, Oct 9.

Sugar—(FFr per tonne): Dec 1662/1668, Mar 1700/1703, May 1745/1763, Aug 1805/1812, Oct 1863/1870, Dec 1902/1935.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES moved narrowly on the London Metal Exchange, with *the notable exception of TIN which* gained ground throughout the day to close at £9600 following easier sterling and sustained support from the buffer stock manager. Currency considerations boosted NICKEL to £3919. ALUMINIUM attracted a substantial amount of activity and slipped to £815 on heavy selling before trade support steadied to price to £816.5 at the close. COPPER opened at £1046 and moved up to £1053 before easing to close at £1049; initial short covering and Japanese interest was partly offset by sustained profit-taking.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1028.5-9	+7.5	1024.5-5.5	+3.75
3 months	1052-.5	+8	1047.5-8	+2.5
Settlem't	1029	+7.5	—	—
Cathodes				
Cash	1034 5	+8.25	1030-2	+5
3 months	1052-3	+9	1048.5-9	+8.25
Settlem't	1035	+9.5	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,028.5, 29; three months £1,051, 51.5, 52, 51.5, 52.5, 53, 52.5. Cathodes: Cash £1,035. Kerb: Higher Grade: Three months £1,051, 50, 49. Afternoon: Higher Grade: Three months £1,048, 48.5, 49, 48.5, 47, 47.5. Cathodes: Three months £1,049. Kerb: Higher Grade: Three months £1,049, 48.5, 49, 49.5, 50, 50.5, 50, 49.5, 49, 49.5. Turnover: 34,375 tonnes. U.S. Producers: 61.00-65.00 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9640-50	+140	9680-90	+138
3 months	9585-95	+150	9625-35	+138
Settlem't.	9650	+150	—	—
Standard.				
Cash	9600-10	+120	9645 55	+140
3 months.	9555-8	+128	9600-5	+135
Settlem't	9610	+188	—	—
Straits E.	$29.15	......	—	—

Tin — Morning: Standard: Three months £9,520, 30, 40, 35, 40, 45,50, *55, 60, 55. High Grade: Cash £9,640.* Kerb: Standard: Three months £9,560, 65. Afternoon: Standard: Three months £9,555, 50, 45, 70, 80, 90, 95, 9,600. Kerb: Standard: Three months £9,590, 80, 90, 9,600. Turnover: 1,805 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	327.5-8	—1.75	326-7	—2.25
3 months	331.5-2	—.5	330.5-1	—.5
Settlem't	328	—1.5	—	—

Lead—Morning: Cash £328; three months £332, 31.5. Kerb: Three months £332, 31. Afternoon: Three months £330.5, 29, 30.5, 31. Kerb: Three months £332, 33. Turnover: 9,300 tonnes. U.S. Spot: 22.00-26.00 cents.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	611-.5	—4.25	608.5-9.5	—3.5
3 months	604.25-.75	—2	605-.5	—1.25
Settlem't	611.5	—4.5	—	—

Zinc—HIGH GRADE OFFICIAL/UNOFFICIAL PRICES: Cash am 680-90, pm 680-90; three months am 653-4, pm 652-5: settlement 690.

Zinc—Morning: Three months £604, 4.25, 4 5. High Grade: Three months £654, 55. Kerb: Three months £605. Afternoon: Three months £604. Kerb: Three months £603, 4, 5. Turnover: 9,200 tonnes. U.S. Prime Western: 45.00-45.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	796-.5	—8	792-3	—6.5
3 months	819.5-20	—8	815.5-6	—9.5

Aluminium — Morning: Cash £796; three months £823, 22.5, 22, 21, 20.5, 20, 20.5, 20, 19, 19.5, 20. Kerb: Three months £820, 21. Afternoon: Three months £821, 20.5, 20, 19.5, 19, 18, 18.5, 18, 17, 15, 16, 15 5, 16. Kerb: Three months £815, 16, 16.5. Turnover: 23,175 tonnes.

NICKEL

Nickel — Morning: Three months £3,910, 25, 35, 30, 35. Kerb: Three months £3,935, 30. Afternoon: Three months £3,925, 10, 15. Turnover: 516 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3840-60	+52.5	3880-5	+11.5
3 months	3930 5	+45	3915-20	+20

SILVER

Silver was unchanged for spot delivery at yesterday's fixing in the London bullion market at 587.2p. U.S. cent equivalents of the fixing levels were: spot 724c, down 4c; three-month 744.1c; down 4.3c; six-month 764.7c, down 3.8c; and 12-month 808.7c, down 4.3c. The metal opened at 586-589p (723-726c) and closed at 584-587p (718-721c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffial	+ or —
Spot	587.20p	—	584.5p	—2
3 months	602.05p	—0.05	600.5p	—1.25
6 months	616.35p	+0.50	—	......
12months	646.85p	+0.80	—	......

LME — (2,000 oz contract): Cash 584.5p (586.5p): three months 600.5p (601.75p). Turnover: 0 (0).

Turnover: 60 (90) lots of 10,000 ozs. *Morning: Large 2nd ring cash 587.5,* three months 602.5, 02.9. Kerb: untraded. Afternoon: large 1st ring three months 600. Kerb: *large* three months 598,97,95.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse 3,525-3,600.

BISMUTH: European free market, min 99.99 per cent, $ per pound, tonne lots in warehouse 5.45-5.60.

CADMIUM: European free market, min 99.95 per cent, $ per pound, in warehouse, ingots 1.21-1.26, sticks 1.22-1.27.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse 10.85-10.95.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse 308-314.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse 3.25-3.45.

SELENIUM: European free market, min 99.5 per cent, $ per pound, in warehouse 9.75-10.10.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif 84-87.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per pound V_2O_5, cif 2.25-2.32.

Producer list price for selected metals as recorded in Metal Bulletin

ALUMINIUM: World: virgin ingots Alcan, min 99.5 per cent, $ per tonne, cif Hong Kong and Rotterdam 1,750.

BISMUTH: UK: MCP-Peko, 99.99 per cent, $ per pound, tonne lots, ex-warehouse 5.00.

COBALT: World, Zaire: Sozacom, $ per pound 12.50.

NICKEL: World, Inco, melting grade, $ per pound, cif Far East and America, delivered rest of world 3.20.

URANIUM: Nuexco exchange value, $ per pound U_3O_8 17.50.

VANADIUM: Highveld fused min 98 per cent V_2O_5, $ per pound V_2O_5, cif 2.41.

ZINC: GOB producer basis, $ per tonne 900.

COCOA

Prices failed to hold the steady opening levels and during the afternoon *drifted lower to close unchanged.* Producers and consumers were withdrawn, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Oct.	1833-68	—7.5	—
Dec.	1890-91	—0.5	1905-1888
March	1857-58	—1.0	1871-1854
May	1862-65	—1.0	1872-1858
July	1859-61	—4.0	1870-1857
Sept.	1863-65	—3.5	1870-1861
Dec.	1847-48	+1.0	1856-1844
Mar.	1850-60	—	—

Sales: 2,999 (3,701) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for Oct 9: 101.86 (102.60): five-day average for Oct 10: 101.71 (101.54).

COFFEE

During another slow session values consolidated within the recent range in light volume, reports Drexel Burnham Lambert. The absence of fresh news and a quiet New York market discouraged interest. The main activity was again centred around the near November/January spread.

COFFEE	Yesterd'ys Close	+ or —	Business Done
Nov.	2336-37	+16.0	2336 23
January	2285-86	+15.0	2288-75
March	2210-12	+8.5	2212-01
May	2185-88	+8.0	2189 81
July	2174-75	+10.5	2177-75
Sept.	2165-68	+8.5	2166-60
Nov	2166-70	+20.5	2166-63

Sales: 2,331 (1,529) lots of 15 tonnes.

ICO indicator prices (U.S. cents per pound) for October 8: Comp. daily 1979 135.47 (135.82); 15-day average 137.62 (138.00).

GRAINS

After initial weakness shipper buying at 40p down rallied wheat. Barley trade was thin. New crops rose in thin trade due to lack of sellers, reports Muirpace.

WHEAT			BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterd's close	+ or —
Nov	107.10	—	107.35	—0.15
Jan	110.80	—0.05	110.75	—
Mar	113.95	—0.15	113.65	—0.05
May	117.20	—0.10	116.15	—0.35
July	118.75	—0.05	—	—
Sept	98.00	+0.35	96.75	+0.35

Business done—Wheat: Nov 107.10-6.70, Jan 110.90-10.45, Mar 114.10-3.90, May 117.30-7.00, July untraded, Sept 97.65 only. Sales: 202 lots of 100 tonnes. Barley: Nov 107.50-7.25, Jan 111.05-10.95, Mar 114.00-3.65, May untraded, Sept 96.55 only. Sales: 275 lots *of 100 tonnes.*

LONDON GRAINS—Wheat: CWRS No. 1 13½ per cent ex-orogin transhipment Oct 164.00. U.S. Dark Northern Spring No. 1 15 per cent Nov 153.50, Dec 156.35, Jan 160.25, transhipment East Coast. U.S. No. 2 Soft Red Winter Nov 140.75, Dec 141.25, Jan 142.75. English feed fob Oct 115, Jan/March 1140.75, sellers. Barley: English feed fob Nov 11, seller, east/south coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed—Barley: S. East 103.60, W. Mids 99.90, N. West 101.40. The UK *monetary* coefficient for the week beginning Monday October 15 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

PIGMEAT

A steady physical market kept futures prices firm until late afternoon when light selling left values at or near the lows, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Nov.	128.60	128.60	128.50-28.50
Feb.	121.50	121.50	121.70-21.50
April	119.20	119.20	119.50
June	117.00	117.00	117.00-16.90
Aug	115.10	115.10	115.50
Oct.	116.80	116.80	—

Sales: 67 (316) lots of 50 carcases 3,250 kg.

POTATOES

The market remained nervous, dropping £1.50 on opening, and apart from small, short-lived rallies, continued to ease throughout the day. Late short-covering lifted prices slightly, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Nov.	54.70	57.50	57.50-54.40
Feb	64.60	67.00	66.00-64.50
April	79.00	79.90	79.50 78.20
May	85.50	86.40	86.00-85.00
Nov.	77.60	77.00	—

Sales: 640 (762) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 50p-£1 higher in fairly active conditions, reports T. G. Roddick. During the afternoon there was commission house spreading interest between December and April.

	Yestdy's close	+ or —	Business Done
	£ per tonne		
October	—	—	—
Dec.	136.00-36.60	+0.60	136.20-34.50
Feb	139.60-40.50	+0.45	—
Apr	142.50-43.00	+0.50	143.00
June	142.50-43.50	+0.75	—
August	144.50 46.50	—0.50	—
October	145.00-48.00	—0.80	—

Sales: 20 (411) lots of 20 tonnes, 150 (312) lots of 100 tonnes.

RUBBER

PHYSICALS—The London market opened unchanged, attracted little interest throughout the day and closed quiet and easier, re[illegible]ts Lewis and Peat. Closing prices (buyers): Spot 60.00p (62.00p): Nov 72.50p (73.50p): Dec 72.50p (73.50p). The Kuala Lumpur Oct fob price for RSS No 1 was 209.0 (206.5) cents a kg and for SMR 20 was 192.0 (191.5).

FUTURES—Close (buyer, seller, business). RSS No 1, £ per tonne. Nov 580, 595, 610; Dec 585, 600, nil; Jan 610, 635, nil; Feb 620, 645, nil; Mar 630, 631, 630; April 620, 660, nil; May 630, 665, nil; June 635, 675, nil; July 645, 684, nil; 1985 Jan/Mar 615, 645, 620; 1985 April/June 635, 670, nil; 1985 April/June 635, 670, nil; 1985 July/Sept 665, 700, nil. Sales: 16 (2) lots of 5 tonnes, 5 (11) lots of 15 tonnes.

SUGAR

LONDON DAILY SUGAR—Raw sugar $125.00 (£101.50), down $3.50 (down £2.00), a tonne for Oct-Nov delivery. White sugar $175.00, unchanged.

The market opened at $158, basis March, but after news that Egypt had purchased 60,000 tonnes of whites for December arrival prices rallied, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Dec.	144.80 45.00	146.80-47.00	145.00-41.40
Mar	161.20-61.40	163.20 63.40	164.00 57.80
May	167.60-67.30	170.20-70.40	171.20-64.80
Aug	177.40-78.00	179.40-79.80	180.40-74.80
Oct	186.20-88.40	187.40 87.60	188.00-82.60
Dec	193.00-95.00	194.40-96.00	192.00-90.00
Mar	208.60-09.00	208.60-10.60	—

Sales: No 6 3,426 (2,896) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £206.00 (£209.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed *Caribbean ports). Prices for October 8:* Daily price 4.82 (4.66); 15-day average 4.20 (4.14).

INDICES

FINANCIAL TIMES

Oct. 8	Oct. 5	M'th ago	Year ago
287.51	289.76	293.00	286.84

(Base: July 1 1952 = 100)

REUTERS

Oct. 9	Oct. 8	M'th ago	Year ago
1882.8	1882.6	1871.1	1886.8

Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Oct. 8	Oct. 5	Month ago	Year ago
Spot	124.34	123.97	128.06	140.27
Fut	124.94	124.52	127.14	147.15

(Base: December 31 1974 = 100)

MOODY'S

Oct 8	Oct 5	M'th ago	Year ago
959.9	963.7	993.6	1061.5

(Base: December 31 1931 = 100)

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. *Oct 505 seller only, 501; Dec 505, 507,* 506; Jan 507, 508, 507; March 517, 518, 515; May 520, 524, 522-520; Aug 535, 539, 537; Oct 535, 538, 537-536; Dec 538, 540, 539-538; Jan 538, 542, 541-540; March 545, 550, nil. Sales: 30.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 560.5, 565.0, 561.0-560.0; Dec 565.6, 568.0, 567.0-566.5; March 579.0, 581.5, 580.5; May 583.5, 585.5, untraded; July 588.6, 590.0, 588.0; Oct 580.0, 587.0, u/t; Dec 584.6, 595.0, u/t; March 590.0, 600.0, u/t. Sales: 14.

COTTON

LIVERPOOL—Spot and shipment sales amounted 121 tonnes. Fair trading developed mostly in American type varieties. Latin American growths moved off steadily as well as Central and East African.

MEAT/FISH

MEAT COMMISSION — Average fatstock prices at representative markets. *GB—Cattle 93.89p per kg lw (—0.08).* GB—Sheep 156.46p per kg est dcw (+7.88). GB—Pigs 92.14p per kg lw (+0.86).

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 77.0 to 83.0; Ulster hindquarters 90.0 to 92.0, forequarters 55.0 to 58.0. Veal: Dutch hinds and ends 125.0 to 130.0. Lamb: English small 68.0 to 74.0, medium 68 0 to 72.0, heavy 63.0 to 66.0; Scottish medium 64.5 to 67.5, heavy 63.0 to 65.0:

AMERICAN MARKETS

NEW YORK, October 9.

Gold and silver values came under substantial selling pressure on long liquidation and dealer selling on dollar strength and the lack of Central Bank intervention, reports Heinold Commodities. Copper came under light pressure from sympathetic selling in line with precious metals. Aluminium dropped sharply in response to expectations of a large build-up in primary stocks. Sugar was weak on evening-up ahead of grind figures. Coffee was modestly higher on the emergence of better cash interest by roasters. The cotton market was steady on rain in growing areas delaying the harvest and adversely affecting quality. Heating oil was modestly firmer on expectations that the major trade report will show further declines in distillate stocks. The grain complex was steady on light commercial interest. The soyabean complex was firm on forecasts of a lowering in the USDA estimate due on October 11.

NEW YORK

ALUMINIUM 40,000lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lb, cents/lb

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60lb bushel

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 31.00 (30.00) cents per pound. New York tin 540.0-54.0 (537.0-52.0) cents per pound. Handy and Harman silver bullion 714.0 (736.5) cents per troy ounce.

هكذا من الأصل

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm in quiet trade

The dollar was firmer on the foreign exchanges yesterday, but trading was generally quiet. New York dealers returned from the long holiday weekend as buyers of their own currency. Demand for the dollar was also boosted by this week's package of U.S. Treasury auctions, with $6.5bn of seven-year notes being sold today, and $4bn of 20-year paper tomorrow. The market also anticipates a rise of around 1.5 per cent in September U.S. retail sales. This figure will be published Friday and will compare with a fall of 0.8 per cent in August.

The dollar rose to DM 3.0890 from DM 3.0510; FFr 9.47 from FFr 9.3550; SwFr 2.5430 from SwFr 2.5120; and Y247.65 from Y246.75.

On Bank of England figures the dollar's index rose to 142.4 from 141.8.

STERLING — Trading range against the dollar in 1984 is 1.4905 to 1.2215. September average 1.2593. Exchange rate index 76.3 against 80.1 six months ago.

Sterling weakened slightly on its exchange rate index as a result of losing ground to the firm dollar. It traded within a range of $1.2360 to $1.2265, and closed 85 points down on the day at $1.2275-$1.2285. On the other hand the pound was firm against other major currencies, rising to DM 3.79 from DM 3.7750; FFr 11.6175 from FFr 11.5550; and SwFr 3.12 from SwFr 3.11, but easing to Y303.75 from Y304.75. Sterling showed little or no reaction to the September money supply figures. The large rise of 1¾ per cent to 1¾ per cent in sterling M3 was not totally unexpected, but appeared to end hopes of an early cut in clearing bank base rates. At the same time the market remained reasonably optimistic about the pits dispute.

D-MARK — Trading range against the dollar in 1984 is 3.1265 to 2.5535. September average 3.0235. Trade-weighted index 120.7 against 127.3

The Bundesbank did not intervene at the Frankfurt fixing as the D-mark declined against the dollar. The German central bank has not intervened since October 2 and appears to be remaining out of the market at present because conditions are quiet, and trading is within a steady range. There was also no sign of dollar sales by the Bundesbank on the open market despite a slight firming of the dollar in post fixing trading. The dollar rose to DM 3.0723 from DM 3.0438 at the fixing, and other major currencies were generally firmer, with sterling improving to DM 3.7830 from DM 3.7710, and the Swiss franc to DM 1.2143 from DM 1.2114. Within the EMS the French franc rose to DM 32.610 per 100 francs from DM 32.600; the Dutch guilder to DM 88.705 per 100 guilders from DM 88.670.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Oct 9	Previous
8.30 am	—	—
9.00 am	76.3	76.4
10.00 am	76.3	76.4
11.00 am	76.3	76.4
Noon	76.4	76.4
1.00 pm	76.3	76.4
2.00 pm	76.4	76.4
3.00 pm	76.5	76.4
4.00 pm	76.3	76.4

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.2733	+0.83	+0.83	±1.5447
Danish Krone	8.14104	8.09519	−0.56	−0.56	±1.6425
German D-Mark	2.24184	2.23779	−0.18	−0.18	±1.0642
French Franc	6.87456	6.86096	−0.20	−0.20	±1.4052
Dutch Guilder	2.52595	2.52312	−0.11	−0.11	±1.4964
Irish Punt	0.72569	0.721945	−0.52	−0.52	±1.6689
Italian Lira	1403.49	1384.73	−1.34	−1.34	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

New York rates (latest)

	Oct. 9	Prev. close
£ Spot	$1.2282-1.2290	$1.2375-1.2390
1 month	0.04-0.06 dis	0.04-0.06 dis
3 months	0.27-0.30 dis	0.27-0.30 dis
12 months	1.58-1.68 dis	1.58-1.68 dis

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Oct 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2265-1.2360	1.2275-1.2285	0.03-0.06c dis	−0.44	0.23-0.27dis	−0.81
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 77.05-77.20. Six-month forward dollar 0.64-0.69c dis. 12-month 1.53-1.69c dis.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Oct 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2265-1.2360	1.2275-1.2285	0.03-0.06c dis	−0.44	0.23-0.27dis	−0.81
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.75-62.85.

OTHER CURRENCIES

[illegible]

* Selling rate.

CURRENCY MOVEMENTS

Oct 9	Bank of England Index	Morgan Guaranty Changes%
Sterling	76.3	−15.7
U.S. dollar	142.4	+20.7
Canadian dollar	90.9	−3.4
Austrian schilling	111.1	+3.5
Belgian franc	88.5	−11.4
Danish kroner	76.0	−9.4
Deutsche mark	120.7	+5.9
Swiss franc	140.4	+9.5
Guilder	110.9	+5.0
French franc	63.8	−16.6
Lira	46.6	−14.1
Yen	156.0	+11.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

[illegible]

*CS/SDR rate for October 8: N/A.

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

Asian $ (closing rates in Singapore): [illegible]

FINANCIAL FUTURES

Weaker trend

Sterling based contracts were marked down in the London International Financial Futures Exchange yesterday. This followed a larger than expected rise in UK banking figures for the September banking month. The rise effectively put paid to hopes of an imminent reduction in UK clearing bank base rates and such a reduction would have coincided neatly with the Conservative Party conference. However, cash prices registered disappointment by moving up ¼ of a point in after hours trading.

Consequently sterling based contracts in the futures market lost ground. Basic sentiment was little changed, however, with hopes of a reduction in UK interest rates being just postponed to a later date. The December three-month sterling deposit contract opened at 89.91 up from 89.90 on Monday and touched a high of 89.95 before retreating to a low of 89.78. It recovered a little to finish at 89.80.

Eurodollar prices finished on a firm note, helped by demand in the afternoon as U.S. Federal funds opened lower at 10¼ per cent.

LONDON

THREE-MONTH EURODOLLAR — $1m points of 100% — [illegible]

THREE-MONTH STERLING — £250,000 points of 100% — [illegible]

20-YEAR 12% NOTIONAL GILT — £50,000 32nds of 100% — [illegible]

STERLING £25,000 $ per £ — [illegible]

DEUTSCHE MARKS — DM 125,000 $ per DM — [illegible]

SWISS FRANCS — SwFr 125,000 $ per SwFr — [illegible]

JAPANESE YEN — Y12.5m $ per Y100 — [illegible]

FT-SE 100 INDEX — £25 per full index point — [illegible]

CHICAGO

U.S. TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

CERT. DEPOSIT (IMM) $1m points of 100% — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STERLING (IMM) $ per £ — [illegible]

GNMA (CBT) 8% $100,000 32nds of 100% — [illegible]

MONEY MARKETS

UK rates firm on poor money supply

UK interest rates were marked firmer yesterday in response to yesterday's money supply figures. These showed a larger than expected rise. Hopes of encouraging figures to coincide with the Conservative Party conference had led to expectations of an early cut in clearing bank base rates. While yesterday's setback may not have altered underlying sentiment, it has certainly revised the timetable.

Three-month interbank money was unchanged at 10¾-10⅞ per cent but rose in after-hours trading to 10¾-10⅞ per cent. Three-month eligible bank bills were bid at 10⅛-10¼ per cent up from 9⅞ per cent. Overnight interbank money traded between 12½ per cent and 9 per cent before finishing at 10 per cent.

UK clearing banks' base lending rate 10½ per cent (since August 20)

The Bank of England forecast a shortage of around £550m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £221m and the unwinding of previous sale and repurchase agreements a further £338m. In addition, banks brought forward balances £80m below target. On the other hand there was a fall in the note circulation of £55m and Exchequer transactions added £10m.

To help alleviate the shortage, the Bank offered an early round of assistance which comprised purchases of £101m of bills on a sale and repurchase basis unwinding on October 22 at 10½ per cent. The forecast was later revised to a shortage of around £600m before taking into account the early help and gave further assistance in the morning of £264m.

This comprised purchases of £26m of eligible bank bills in band 2 (15-33 days) at 10⅛ per cent and £28m in band 3 (34-63 days) at 10⅛ per cent. In band 4 (64-91 days) it bought £3m of eligible bank bills at 10⅛ per cent. It also arranged sale and repurchase agreements on £238m of bills at 10½ per cent.

Additional help was given in the afternoon of £101m. This comprised purchases of £6m of eligible bank bills in band 1 (up to 14 days) at 10⅛ per cent and £59m in band 2 at 10⅛ per cent. In band 3 it bought £10m of local authority bills at 10⅛ per cent. It also arranged sale and repurchase agreements on £16m of bills at 10½ per cent, for resale on October 22. Late assistance came to £105m, making a total of £571m.

MONEY RATES

[illegible]

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

[illegible]

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. October 9)

3 months U.S. dollars: bid 11 1/4 — offer 11 3/8

6 months U.S. dollars: bid 11 1/2 — offer 11 5/8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	12½-12¾
Broker loan rate	11½-12
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	10.00
Two month	10.05
Three month	10.07
Six month	10.17
One year	10.18

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of interest period September 5 to October 2 1984 (inclusive): 10.904 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 11 per cent from October 1 1984. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rates for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.7343 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¾ per cent; one-three months 10¼ per cent; three-six months 10¾ per cent; six-nine months 10¾ per cent; nine-12 months 10¾ per cent. Under £100,000 10 per cent from September 12. Deposits held under Series 5 10¼ per cent. The rates for all deposits withdrawn for cash 7 per cent.

London clearing banks' balances

as at September 19 1984

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1. AGGREGATE BALANCES

	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	18,492		+243	
UK private sector	57,264		+262	
UK public sector	1,235		+59	
Overseas residents	9,603		+108	
Certificates of deposit	6,848		−839	
		93,462		−158
of which: Sight		31,060		−61
Time (inc. CD's)		62,402		−97
Foreign currency deposits:				
UK monetary sector	18,920		−268	
Other UK residents	4,999		+483	
Overseas residents	46,052		+1,155	
Certificates of deposit	6,571		+801	
		76,542		+2,171
Total deposits		170,004		+2,013
Other liabilities*		21,129		+622
TOTAL LIABILITIES		191,133		+2,635
ASSETS				
Sterling				
Cash and balances with Bank of England		1,429		+101
Market loans:				
Discount houses	3,757		+549	
Other UK monetary sector	15,430		+229	
UK monetary sector CD's	2,328		−71	
Local authorities	937		−9	
Other	1,479		−187	
		23,932		+73
Bills:				
Treasury bills	38		—	
Other bills	1,629		+204	
		1,667		+205
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,734		+49	
Other	4,017		—	
		6,751		+49
Advances:				
UK private sector	61,267		−457	
UK public sector	313		−7	
Overseas residents	4,609		+15	
		66,188		−448
Other sterling assets*		9,799		−44
Foreign currencies				
Market loans:				
UK monetary sector	20,466		+573	
Certificates of deposit	784		+32	
Other	31,622		+449	
		52,871		+1,055
Bills		157		+2
Advances:				
UK private sector	5,619		+263	
UK public sector	911		+75	
Overseas residents	17,294		+1,136	
		23,824		+1,475
Other foreign currency assets*		4,515		+168
TOTAL ASSETS		191,133		+2,635
Acceptances		3,569		+300
Eligible liabilities		69,416		−699

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	170,004	+2,013	46,331	+1,246	31,070	+340	31,936	−246	55,853	+534	4,764	+141
ASSETS												
Cash and balances with Bank of England	1,429	+101	482	+55	214	−6	237	+1	451	+53	45	−2
Market loans:												
UK monetary sector	39,654	+893	11,601	+224	4,734	+187	4,461	+56	17,758	+203	1,100	+223
Other	37,149	+235	9,667	+617	8,557	+244	7,215	−707	10,679	+283	991	−121
Bills	1,824	+207	732	+75	500	−35	290	+88	266	+61	36	+19
British Government stocks	2,734	+49	684	+16	667	—	598	+21	699	+12	86	—
Advances	90,012	+1,026	24,795	+171	17,371	+344	17,925	+250	27,283	+230	2,638	+31

TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES

	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
ELIGIBLE LIABILITIES	69,416	−699	20,877	−63	13,679	−294	12,353	+71	20,400	−427	2,108	+12

Company Notices

EUROPEAN FERRIES PLC (CDRs)

With reference to the modified Scheme of Arrangement which became effective on 3rd August, 1984: the undersigned has elected for new preference shares of European Ferries Group PLC ("EFG") except where otherwise instructed by CDR holders.

As from 15th October, 1984 one new CDR European Ferries Group PLC representing 100 preference shares of £1 each cum. cp. no. 1 s.c.s. and conf. cp. no. 1 s.c.s. and talon will be gratuitously available at Kas-Associatie N.V., Spuistraat 172, Amsterdam against delivery of one old CDR European Ferries PLC representing 100 ordinary shares of 25p each cum. cp. no. 15 s.c.a. and conc. cp. no. 15 s.c.a. and talon.

CDR holders who qualify for the existing fare concessions on Townsend Thoresen car ferries are reminded that they will continue to do so for bookings on sailings up to 31st January, 1985.

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam, 1st October, 1984.

B.A.T. INTERNATIONAL FINANCE LIMITED (B.A.T. International Finance PLC)

100,000,000 FRENCH FRANCS 7¾% GUARANTEED BONDS 1987

At the request of the Trustee, we hereby give notice that the nominal amount of FF 5,000,000 has been purchased on the market for redemption due November 15, 1984.

Amount outstanding: FF 53,000,000.

The Principal Paying Agent KREDIETBANK S.A. Luxembourgeoise

Luxembourg, October 9, 1984.

LEUMI INTERNATIONAL INVESTMENTS N.V.

U.S.$20 MILLION GUARANTEED FLOATING RATE NOTES 1987 SERIES "B"

The interest rate applicable to the above Notes in respect of the three month period commencing the 9th October 1984 has been fixed at 11¹¹⁄₁₆% per annum.

The interest amounting to U.S.$30.19 per U.S.$1,000 principal amount of the Notes will be paid on Tuesday, 9th January 1985, against presentation of [illegible]

BANK LEUMI TRUST COMPANY OF NEW YORK, Principal Paying Agent

THE ROYAL BANK OF CANADA

U.S.$100,000,000 FLOATING RATE DEBENTURES DUE 1987

[illegible] U.S.$297.01 per U.S.$5,000 nominal amount of the Debentures and interest of U.S.$2,970.14 per U.S.$50,000 nominal amount of the Debentures will be due for payment.

SWISS BANK CORPORATION INTERNATIONAL LIMITED, Reference Agent

MALAYSIA

U.S.$350,000,000 FLOATING RATE NOTES DUE 1993

[illegible] fixed at 12 per cent per annum. On 6th April, 1985 interest of U.S.$606.67 per U.S.$10,000 nominal amount of the Notes and interest of U.S.$15,166.67 per U.S.$250,000 nominal amount of the Notes will be due against Interest Coupon No 6.

SWISS BANK CORPORATION INTERNATIONAL LIMITED, Reference Agent

Restaurants

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for October 9.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	93⅝	93⅞	0	−0⅝	12.93
All Nippon Airways 14 94	100	107¼	107¾	+0⅛	−1⅛	12.59
American Savings 12 89	125	†96½	97	0	+0⅜	12.94
Austria Rep 13⅝ 92	100	103¼	103⅝	+0¼	+0½	12.88
Bank of Tokyo 13⅝ 91	100	101⅞	102⅜	+0½	+0¾	13.00
C.N.C.A. 13¼ 91	100	†100	100½	+0⅛	+0¾	13.15
Chinese Nat Tele 13¾ 91	100	102¾	102⅞	0	+0¼	13.10
Comalco Int 12¾ 88	125	98⅛	98⅝	0	0	12.78
Creditanstalt 13⅛ 91	100	99½	100	+0⅛	+0½	13.14
Denmark Kingdom 13 91	100	99	99½	+0⅛	+0½	13.13
Denmark 13⅞ 88 XW	100	101⅝	102⅛	+0⅛	+0⅛	13.18
Denmark Kingdom 14 91	100	104⅝	104⅞	+0⅛	+0¾	12.98
E.I.B. 12½ 90	100	98⅝	98⅞	+0⅛	+0⅝	12.81
E.I.B. 12⅝ 94	100	100	100½	+0⅛	+0⅝	12.79
E.I.B. 13 96	200	99½	100	+0⅛	+0½	13.03
Ex-Im Bk Japan 13¼ 91	75	102⅝	103⅛	+0⅛	+1⅛	12.55
First Mich 13¼ 89 May	125	100⅝	101⅛	0	+0⅝	12.87
[illegible]						

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Walt Disney Pro 12½ 87	150	99⅝	99⅞	+0¼	+0⅛	12.65
World Bank 11⅞ 89	200	95⅛	95⅜	0	+0⅛	12.75
World Bank 12⅞ 94	200	99⅞	100⅜	+0⅛	+0⅜	12.84
Yasuda Tst&Fin 12⅞ 89	100	97	97½	+0¼	+0⅝	13.16

Average price change On day +0½ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	100½	101	+0⅛	0	7.38
Amca Int'l 8¼ 91	100	101½	102	+0⅜	+0⅜	7.91
A.N.A.S. 8½ 91	150	101½	102	+0⅜	0	8.12
Austria Republic 7⅝ 94	200	99⅛	99⅝	+0⅛	+0⅞	7.69
Baxter Travenol 7¼ 94	200	100⅛	100⅝	+0⅜	+1⅝	7.17
Credit National 8⅛ 94	200	100⅝	101⅛	+0¼	+0⅛	7.98
Degussa Int Fin 7½ 94	100	102½	103	+0¼	+0⅞	7.08
E.E.C. 8 92	200	101	101½	+0⅛	+0⅛	7.76
E.I.B. 8 91	250	101⅛	101⅝	+0⅜	+0⅛	7.74
Exxon 8 92	150	99⅝	100⅛	0	+0⅜	7.99
Ferrovie Dello Stato 8 91	100	100⅛	100⅝	0	+0⅛	7.88
[illegible]						

SWISS FRANC STRAIGHTS — [illegible]

YEN STRAIGHTS — [illegible]

OTHER STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Secom 5 98	11/83	2828	*172	173	0	2.78
Sekisui House 3 98	6/84	612	88⅝	89⅝	−0⅜	1.45
Sumitomo Corp 2⅝ 99	3/84	993	78¼	79¼	+0⅜	0.87
Yamanouchi Pharm cal 4 98	10/83	1403.2	112⅛	113½	+2⅛	3.31
Nippon Oil Co 2⅝ 92 SF	3/84	1062	†107½	107⅜	−0⅛	13.07
Nippon Shinpan Co 2 92 SF	3/84	881	†94⅛	94½	−0½	34.23
Settsu Paper 2⅛ 92 SF	4/84	677	†141	142	−0⅛	−5.45
Asics 5 92 DM	12/83	520	102	103	+0⅛	17.84
Sum Realty 8⅛ 92 DM	2/83	385	151⅞	152⅝	+3⅛	−0.92

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month. § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

EUROBONDS

Merrill Lynch buys entire $200m Exxon notes issue

BY MAGGIE URRY IN LONDON

MERRILL LYNCH surprised the Eurodollar bond market yesterday by buying the full $200m 20-year zero coupon notes auctioned by Exxon Capital Corporation. The winning bid was at a price of 11.056 to give a yield to maturity of 11.64 per cent. The redemption value will be $1.809bn – the largest corporate zero coupon bond yet.

The yield is around 90 basis points below the yield on the 20-year U.S. Treasury bonds Exxon has already bought to pick up the yield difference.

Traders were relieved that the issue had not been sold at an even lower price, although some lower bids were thought to have been made. Merrill Lynch could have refused to take only a part of the issue, although Exxon had provided for minimum amounts of $10m to be sold.

Until that news appeared at 5pm, the Eurodollar bond market had been quiet. Prices were about ¼ point better as the New York bond market returned after the holiday weekend in cheerful nood.

One issue appeared a convertible for Nippon Seiko. Lead-managed by Nomura International, the $70m issue has a 15-year life. The coupon is indicated at 3½ per cent and the conversion premium is expected to be around 5 per cent. Like other recent Japanese convertibles, the issue was well received and was bid at the par issue price. Total fees are 2½ per cent.

Other issues are rumoured to be launched today, including a floating-rate note for Crédit Foncier, convertible into a fixed-rate French franc bond during its first year.

In the Swiss franc market, SBC launched a floating-rate note for Atlas Copco, the Swedish hydraulic machinery group. It is the first FRN in the Swiss franc foreign bond market since April.

The issue raises SwFr 75.5m and has a six-year life. The yield will be ¼ per cent over the six-month interbank offered rate for Swiss francs, currently 5¼ per cent but with a minimum 3¾ per cent and maximum 7¾ per cent coupon. The proceeds are being used to repay a 7¾ per cent fixed-rate issue.

BHF Bank bond average		
Oct. 9		Previous
101.226		101.329
High	1984	Low
101.329		98.056

Prices were again weaker in the Swiss franc market, by ¼ point on average. Investors have been swapping into bonds with higher coupons.

The D-Mark bond market has reacted to its recent run and prices fell by ⅛ point. Monday's issue for Kaufhof continues to do well, with the bond-and-warrant package quoted around 106¾, up around 2½ point on the day.

The World Bank has taken advantage of the recent strength of the Euroguilder market to make a Fl 100m issue. Lead manager Algemene Bank Nederland priced the five-year bonds with a 7¾ per cent coupon and a par issue price.

Reuter adds from Rome: Yields rose yesterday on Italian Treasury certificates offered by the Bank of Italy in an open market operation, and the issue ended undersubscribed.

The maximum acceptance rate rose to 16 per cent from the previous 15.2 per cent, with an average 15.59 per cent rate against 15.04 per cent.

Applications for the L500bn ($262.7m) of paper on offer totalled only L425bn. The certificates, maturing in January 1997, were priced at 101.5 upwards and are for repurchase at their October 26 value.

West 'must promote new loans to LDCs'

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT IN LONDON

WESTERN governments must play an increasing role in ensuring a flow of new loans to debt-ridden developing countries, Mr Eric Whittle, chief executive of Lloyds Bank International, said in London this week.

His remarks to a conference organised by Business Research International come at a time when the International Monetary Fund and some leading central banks are privately indicating their desire to adopt a lower profile in promoting fresh loans for countries that have been forced to reschedule their debts.

Mr Whittle said, however, that governments are needed not only to lend fresh money to these countries but also to persuade commercial banks to do the same. Otherwise some smaller lenders might drop out of the process.

"We do not want a situation where a smaller and smaller part of the banking world is having to take a larger and larger part of the assets", he said.

This problem was going to be much more difficult in future, he said. "We really are going to need the help of governments and their agencies."

In a generally optimistic appraisal of the debt of developing countries, Mr Whittle said he rejected utterly the arguments of those who were looking for a "global solution." The present case-by-case approach was clearly producing results, he said.

It was, however, necessary to obtain the right blend of intervention by the three key players – the International Monetary Fund, commercial banks and governments – "in order to let the market forces work."

Governments also had a role to play in reducing trade protectionism and in making sure that their approach to bank regulatory issues was sufficiently flexible. The rigid standards applied by the U.S. had led to a mistaken decision to lend money to Argentina in the spring simply to prevent U.S. banks from having to declare their Argentine loans as "non-performing."

OVER-THE-COUNTER

Continued from Page 28

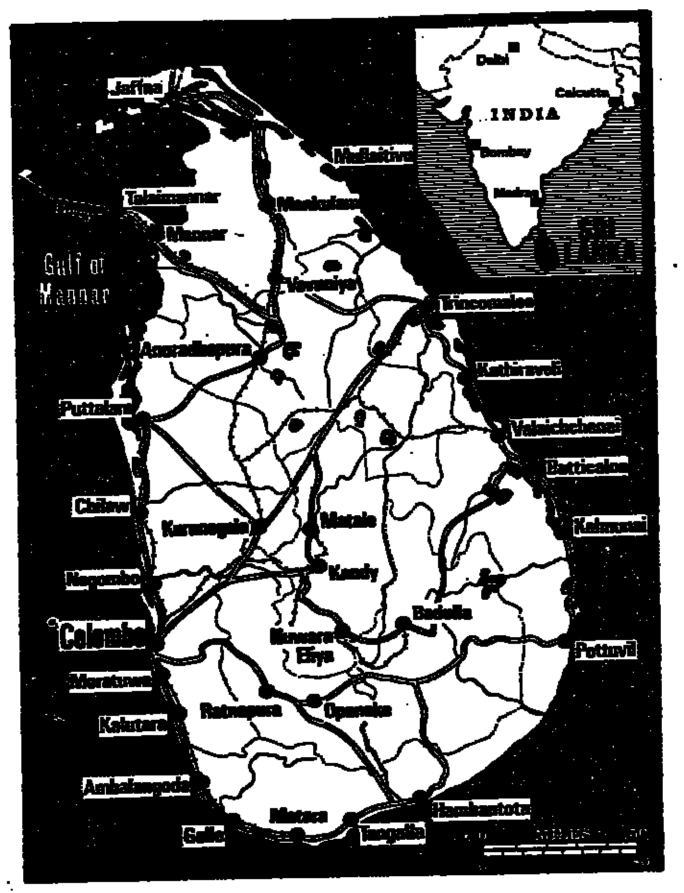
Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

SECTION IV

FINANCIAL TIMES SURVEY

Sri Lanka

Renewed attempts are being made to solve Sri Lanka's ethnic problems and secure the stability needed for economic growth. High tea prices are underpinning the economy in the immediate future and major development schemes, including the giant Mahaweli hydro project, are coming into use.



Diverted from targets

SRI LANKA'S seven-year-old bid to establish itself as a thriving free market economy under the leadership of President Junius Jayewardene suffered its most serious setback a year ago when the island was engulfed in ethnic violence between the majority Sinhalese community and the minority Tamils.

The Government's wish to reverse Sri Lanka's post-independence history and turn the island into a South-east Asian style of open western-orientated economy has been thwarted, at least temporarily. The country has slipped back into the politics and communal clashes of south Asia, its geographical home, where India predominates.

By John Elliott
South Asia Correspondent

"Development will be a closed chapter if we don't curb terrorism — certainly it is practically a closed chapter in the north already — and this spreads to other parts of the country when there are riots," says Mr Jayewardene, 78 last month and still physically fit in spite of the setbacks of the past year.

But Mr Jayewardene denies that the extremists' violence has been an economic setback apart from tourism, which the Government believes is picking up again.

Tourism slumped during the past year by 20 to 30 per cent and foreign confidence has been knocked. This was just as the island needed foreign exchange and investment to help pay for massive public expenditure, particularly the Mahaweli hydro power and irrigation scheme.

But sharp increases in tea prices have more than compensated for the decline in tourism. They have helped produce the island's biggest balance of payments surplus for several years and have saved it from having to reopen talks with the International Monetary Fund on a standby loan.

The island has also sustained economic growth averaging just over 5 per cent a year, and its inflation rate is falling. But both the World Bank and the IMF are concerned about the high rate of public spending.

Even though cuts have been made, the proportion of spending allocated to defence has risen sharply. An increase from 2.5bn Sri Lankan rupees (£80m) to 3bn rupees is expected in next month's annual budget.

The potential for rapid development remains, however. Sri Lanka is still a potentially attractive location for agricultural and industrial investment, and for tourism.

But it has been diverted from its targets. Virtually everyone seems preoccupied with the progress of peace talks, clashes involving Tamil extremists (who have been setting the pace in the crisis), troops and civilians. There is also a perceived threat of invasion from India.

"People's minds — which since 1977 have been thinking how to produce more, get more jobs, make more money — are partly diverted by talk of who has been killed, the soldiers are coming, this or that has been blown up. Some of the country's drive and concern has gone towards curbing terrorism," says Mr Lalith Athulathmudali, a 47-year-old lawyer who has risen to the top of the Government this year as Minister of National Security and Defence, and spokesman on the peace talks.

Mr Athulathmudali has successfully pursued a policy of containing the violence in the north, to minimise the risk of a repeat of the Sinhalese backlash in the south which happened last year. But there is a threat of increased attacks by extremists on troops within the next couple of months.

There is also a growing feeling among moderate Tamils in the north and east that their claim for a degree of devolved government must be met by the end of the year. Otherwise there will be growing support for the demands for Eelam—an independent state—made by the extremists whose violence is already gaining mass support in the north.

Even though the island covers only 25,000 sq miles—less than Ireland—the practical need for some devolution of the central powers wielded in Colombo is widely accepted. But the politically acceptable way of achieving this is proving hard to find.

President Jayewardene is expected to present his proposals as draft laws on November 15 to a resumed session of the round table conference that started meeting nearly 10 months ago. But he is facing stiff opposition from both the left (Tamil activists who want more devolved powers) and from the right (Buddhist monks reflecting extreme Sinhalese opinion which wants to curb the Tamils).

Buddhism plays an important role in the life and self-consciousness of Sri Lanka, which is recognised in some other Buddhist countries like Thailand and Burma as a leader of the austere Theravada interpretation of the Buddha's teachings. About 70 per cent of the 15m population are Buddhists—almost all the Sinhalese race—whereas the minority Tamil group (12.6 per cent) includes Hindus and Christian converts.

Debate

There is a debate in the country about whether President Jayewardene would rather be remembered for holding back the Tamils and confirming Sri Lanka as a somewhat inward-looking Buddhist island, or for leading the people into a settlement of the Tamil issue and the open free-market economy he started aiming for in 1977.

He does not accept the distinction between these two options, and says the opening up of the economy is continuing. But significantly, he stresses that Sri Lanka is a "socialist republic" and he makes a virtue of some protectionist policies, adding: "We haven't denationalised anything."

Whether these are astute political points of emphasis rather than a change of policy is not clear. The president has to accommodate strong and conflicting opinions in his cabinet as well as tensions within his army, which is playing a big role in internal law and order.

Mr R. Premadasa, his Prime Minister, is reputed to be among those least willing to settle with the Tamils. Mr Cyril Mathew, the Industry Minister, also regarded as an arch Sinhalese, is successfully pushing protectionist policies.

U.S. companies have suffered at the hands of Mr Mathew's approach and there is some disillusionment in the U.S. about the direction of Sri Lanka's industrial policies. One large U.S. company in the island, Union Carbide, is being told to cut its electric battery production so that a local company can sell more of its own products. Other foreign investments have also been hit.

There is concern abroad about the heavy-handed and often obstructive bureaucracy which does not meet the needs of an expanding south-east Asian economy, but smacks more of the problems of neighbouring south Asian countries, especially India.

Sri Lanka's foreign policy is dominated as never before by its relationship with India. It has had no option but to accept the attempts at mediation on behalf of the Tamils offered by Mrs Indira Gandhi, Indian Prime Minister.

India is specially sensitive about the presence of international powers in Sri Lanka, which is a strategically important island in the Indian Ocean, with a deep water naval port at Trincomalee. Neither the U.S. nor the USSR seems to want to control Trincomalee but both are preoccupied with the fear that the other might move in.

Sri Lanka has employed Israeli intelligence experts to train security personnel and that has strained relations with India (as well as Arab countries). India regards the Israeli presence among the security forces as a proxy for the U.S., which Mrs Gandhi is determined should not dominate the island.

In addition, there is also a new fear among Sinhalese that India might invade the island, either to protect the Tamils from alleged genocide or to establish an Eelam state. Mrs Gandhi denies this. But she is being pushed into open support for the Tamils because she wants to win votes in the southern Indian state of Tamil Nadu in her coming general election.

If any settlement is to be made to stick with the Tamils, it is widely agreed that India will have to help by closing the extremists' headquarters in the Tamil Nadu capital of Madras. "That is vital," says Mr Jayewardene. "If India deals with the Madras operations, there is a chance of the violence stopping."

But it is also widely agreed that Sri Lanka cannot afford further major unrest or long delays in reaching a settlement which is acceptable to most Tamils. Much depends on the strength and consistency of leadership shown by President Jayewardene in the coming months.

CONTENTS

President Junius Jayewardene talked to John Elliott about juggling the conflicting interests within his island community

Rebuilding a broken dream

President Junius Jayewardene

PRESIDENT Junius Jayewardene seems to have partially recovered from the shock struck by last year's riots to his dream of building a new Sri Lankan economy. Aged 78 last month, he has adjusted his overall policies to try to assuage the worries of his island's majority Sinhalese community.

He is trying to introduce a form of regional devolution that will satisfy the Tamil minority community without upsetting the Sinhalese majority and right-wing Buddhist priests, and without giving Mrs S. Bandaranaike, his political opponent and former prime minister, a platform from which to bid for power.

His term as president lasts till 1989 and, in spite of his age, he looks fit enough to stay the course. "I feel very well. I have no heart problems—not my physical heart," he says with a slow, slightly sad smile that belies considerable personal authority.

Coming from a devout Buddhist, the remark shows pride in physical fitness and a resigned acceptance of some of the anguish and attacks he has suffered.

Born into a mixed Christian-Buddhist family as the eldest of 11 children, he was named Junius Richard, and became known as JR before the U.S. television soap opera made the initials internationally famous. His father was an affluent, eminent lawyer and the young Mr Jayewardene had a comfortable childhood. This included a Scottish governess, wide cultural interests and considerable success at sports including cricket, rugger, tennis and boxing.

He became a lawyer in 1932, but was increasingly involved in politics, developing an admiration for the peaceful independence movement that was growing in India under Mahatma Gandhi. He was the first finance minister of independent Ceylon in 1948 and his international activities started with the Colombo plan of 1951.

He became Prime Minister in 1977, ousting Mrs Bandaranaike and launched the country on to an open-economy road. He was made first executive president in 1978.

Mr Jayewardene seems, however, to want to play down the significance of the change of economic direction he launched. Asked whether his vision of a new Sri Lanka could still be achieved, he parried by saying: "I don't know if I had a vision. I don't think I had. In six to 12 years what can you do?"

He said the Government was still trying to achieve new economic goals, but reacted sharply when asked if he wanted to be remembered for creating a Singapore type of economy.

"I don't want to be remembered like that. I want to be remembered for Sri Lanka. An open economy does not mean Singapore. We call ourselves a socialist republic. Our land is nationalised, our harbours are nationalised, the housing system is nationalised. This is a socialist economy. What more is there for me to nationalise?

"We haven't de-nationalised anything. But we are allowing competition with nationalised corporations. We have allowed a private bus service and that has saved the country."

He defended Mr Cyril Mathew, his Industry Minister, who is a staunch anti-Tamil Sinhalese and opponent of an open economy, and is trying to curb foreign industrial investors.

"Cyril Mathew is right. He has been saying: 'Protect our industries.' Quite right. I say the same thing because imports eat into our industrial establishments. So we agree with him but say there must be competition."

Too fast

Mr Jayewardene denies that his views on protectionism have changed. But to local observers his words sound very different from remarks such as "Let the robber barons come," which he is reported to have said about foreign investment in the late 1970s.

It may be, however, that there is more a change of emphasis than basic policy. Possibly the events of the past year, which started with Sinhalese mobs burning hundreds of Tamil businesses as well as homes, made him realise that he cannot move too fast.

Sinhalese businessmen, reputed to be less adventurous than the Tamils, want to be protected from international competition at home. And they cannot be ignored.

During the past year, Mr Jayewardene has also had to accept the dominant presence of Sri Lanka's large and powerful neighbour, India, and of Mrs Indira Gandhi, its Prime Minister. He says he is "very fond" of Mrs Gandhi and is "very friendly." Her attempt at mediation on the Tamil issue has been "very helpful," though he will not say he welcomed it. "I just accepted it."

But he reacts sharply to the possibility, which he dismisses of an Indian invasion. He rehearses his beliefs in non-violence and his devotion to Mahatma Gandhi, who worked with Jawahar Lal Nehru, Mrs Gandhi's father and the first Indian Prime Minister.

"A lady who has all that great heritage will not do foolish things," he says.

Is he sure? "I'm sure—and if she does she'll regret it."

To calls from some civil rights workers and politicians in southern India for Mrs Gandhi to invade and save the Tamils from alleged genocide, he retorts: "She should invade her own country to stop genocide there—genocide in Hyderabad, in Punjab and in Assam.

"I say to those in India who talk of invasion, 'Physician heal thyself'."

For about 2,000 years until a couple of centuries ago, Sri Lanka was regularly invaded by Tamils from South India. The current unrest has reawakened fears among some Sinhalese of history repeating itself. That fear may seem remote to outsiders, but it is real enough to many of the 15m people on this small island to provoke Mr Jayewardene.

"If our country is invaded—as I told the Commonwealth leaders' conference in New Delhi last November—we will never be conquered.

"We are unconquerable. You can kill 15m people with an atom bomb. You can take our territory. But you will not take our minds and our hearts. So if I am well and strong and Sri Lanka is invaded by anybody, I will lead the movement that will bring back freedom again, non-violently."

Ethnic conflict and opposition squabbles dominate scene

THE PATTERN of Sri Lanka's traditional politics has been radically altered by a quirk of the 1977 general election, a major constitutional change in 1979 and the referendum held in December 1982.

To this should be added, in the light of current events, the withdrawal from parliament of its only Tamil party late last year.

At the 1977 polls, the United National Party (UNP) won 142 seats out of the 168 for its 50.6 per cent share of the total vote. Mrs Bandaranaike's Sri Lanka Freedom Party (SLFP) was reduced to eight seats with a third of the vote.

This made the Tamil United Liberation Front (TULF), with its 16 MPs, the largest opposition group, and Mr Amirthalingam, its *secretary-general*, the opposition leader. He was the first Tamil to hold this office, which now seemed to symbolise the ethnic division outside parliament.

Though the ethnic conflict totally dominates the political scene, opposition politics has also been greatly influenced by other factors. A special Presidential commission held Mrs Bandaranaike, the UNP's most formidable opponent, guilty of "abuses of power" during her 1970-77 administration, and *parliament expelled the former* Premier in 1980 and deprived her of civic rights for seven years.

Abandoning the Westminster model, the 1979 "Gaullist"

Politics
MERVYN DE SILVA

constitution had centralised power in an executive Presidency. Having won a second term in October 1982, President Jayewardene held a referendum to extend the term of the 1977 parliament for six more years ending in 1989. More than 3m voted yes and 2.5m said no.

Held under emergency and marred by unprecedented violence, the mandate was described by opposition leader Mr Anura Bandaranaike as a "dubious exercise."

If the intention was to "freeze" politics to allow the Government to implement the second and perhaps more difficult phase of its IMF-World Bank-sponsored economic strategy, the exercise was successful but only up to a point.

A highly politicised electorate, though resentful, resigned itself to an unusually long period of political inactivity. The manifest apathy of the voter was encouraged by the behaviour of the opposition parties which dissipated their energies in factional squabbles and irrelevant debates. The trade unions were surprisingly dormant, too, although inflation was reaching 20 per cent.

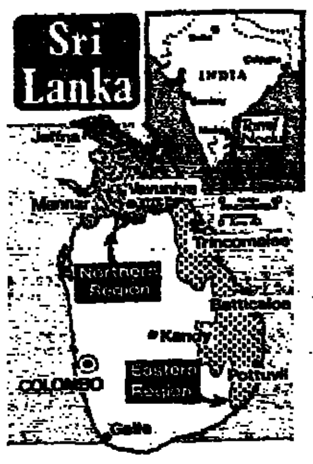
With Mrs Bandaranaike reduced to a political "non-person," family feuds and quarrels over succession tore the SLFP apart. A rift saw her deputy leader Mr M. Senanayake and her son Anura forming a rival SLFP.

By the time these prodigals returned to the fold early this year, Mrs Bandaranaike's daughter Chandrika and her film-star husband Mr Vijay Kumaratunge had launched the new Sri Lanka People's Party SLMP. This has teamed up with three smaller parties to establish a "four party bloc."

This left-leaning alliance includes the old socialist party LSSP which has no members in parliament. The pro-Soviet CP and the People's United Front (MEP). The last two have one member of parliament each. Their main aim is to challenge Mrs Bandaranaike's party as the island's "second force."

Later this month, two by-elections will be held in the predominantly Sinhala rural constituencies of Minneriya in the North Central province and in Kundasale in the Central province. Both the SLFP and the SLMP are contesting these elections. At Minneriya, the SLMP candidate is Mr Vijay Kumaratunge, the party general secretary, a fact which has caused some embarrassment to the Bandaranaike family.

At any election, the UNP's ideal scenario is a three-cornered contest in which the two rivals are equally strong. The Prime Minister says that it will be "very interesting to see who comes second." If the SLMP beats the Freedom Party to third place in any of these rural areas and the village voter dominates parliament, it will be a major change in a country where for 30 years the UNP and SLFP have been the traditional rivals.



Areas where Tamils have some claims for regional devolution or independence.

After the July 1983 anti-Tamil riots, the Government rushed through parliament a constitutional amendment compelling every MP to take an oath renouncing separatism. Refusing to do so, the TULF's 15 MPs quit parliament. This is the first time in post-independence history that the main Tamil party has withdrawn from the parliamentary process.

The UNP move to expel Mrs Bandaranaike may have been a departure from the rules of the parliamentary game but it did work wonders in promoting dis*sension and division in the* SLFP.

Her party was rejected for its poor economic performance. The UNP called its term "an era of ration cards, controls, and queues." But on all matters which involve Sinhuala-Buddhist majority interests, Mrs Bandaranaike has the total confidence of the Buddhist clergy and the Sinhala intelligentsia.

Mrs Bandaranaike boycotted the all-party conference convened by President Jayewardene, saying: "How can a person unfit to sit in parliament participate in talks on the country's most vital issue"

Whether this was an act of vengeance or the petulance of a prima donna, her conspicuous absence has undermined "the pan-Sinhala consensus" necessary for a negotiated settlement with the Tamils.

Tamils and Sinhalese locked in centuries-old dispute

Ethnic conflict
JOHN ELLIOTT

"WE HAVE nowhere else to go—why don't people realise that," is a cry from both Sri Lanka's warring ethnic groups.

I heard it from Tamils in the north and east, some of whom had their homes burned in Colombo by Sinhalese mobs 15 months ago. And I was told it by middle-class Sinhalese after a drink in Colombo.

The Sinhalese arrived on the island about 2,500 years ago, from north-east India it is believed. The Tamils, Dravidians from southern India, arrived about a hundred years or so later and historically are regarded as the aggressors. They invaded regularly through the following 2,000 years.

"The Tamils feel they are a minority in Sri Lanka, but the Sinhalese feel they are a minority in the south Asian context where they are only 12m people, against a total of 60m Tamils living in the south Indian state of Tamil Nadu and in Sri Lanka," says Mr Ronnie de Mel, Sri Lanka Finance Minister.

"*The Sinhalese have felt* they are in a m\ority for 2,500 years—and threats by Madras politicians of invasion from India do not help the situation," says Mr Lalith Athulathmudali, National Security and Defence Minister, explaining why calls from the southern Indian city of Madras for Mrs Indira Ghandi to invade Sri Lanka in support of the Tamils drives the Sinhalese into a more intransigent corner.

Buddhism

The main Tamil areas, after centuries of battles, are in the north-east. These are dry and less fertile areas, especially in the north, where the Tamils had to work hard to survive. Unlike most Sinhalese, the Tamils also realised the value of getting on well with their British rulers. Learning English and sometimes converting from Hinduism to Christianity, they gained new schools in their areas and good jobs throughout the island.

After independence in 1948, the majority of Sinhalese wanted to develop a national religion — Buddhism — and a national language — Sinhala. This happened in the 1950s at the expense of the Tamils, who had risen too far for Sinhalese comfort in the island's main insitutions. Differential exam results needed for university entrance—dubbed standardisation—were introduced in 1972 to allow young people in basically Sinhalese areas to gain admissions at the expense of children from Tamil areas who achieved higher marks.

So by the early 1970s, the centuries-old conflict had focused on the availability of education and jobs, with the Tamils claiming that the examination system and the national Sinhala language discriminated against them. Some young Tamils forsook the non-violent campaigns of their fathers for more regional devolution and violent action, which for the past year has been run by five main extremist groups based in Madras, and a host of splinter groups.

There have been violent clashes every few years, the worst in Colombo and elsewhere in July last year. Although *most Tamils* want to remain part of a united Sri Lanka, calls for Eelam—an independent Tamil state—have gained increased support because talks on devolution have seemed to make little headway and Sinhalese troops have taken revenge on Tamil civilians and villages after they have been attacked by Tamil extremists.

Eelam

Eelam, according to Tamil activists, would start in the north with the Jaffna Peninsular and include other northern province districts of Mullaitivu, Mannar and Vavauniya, where Tamils make up between 50 and 95 per cent of the population. Also in the eastern province districts of Trincomalee — including a strategic naval base — Baticaloa and Ampain where they have smaller claims with between 20 and 70 per cent.

The activists claim that such a state of Eelam would be economically viable, leaving aside the calims that the Sinhalese and Muslims would make to the eastern districts.

Scattered throughout the island, but particularly in the centre and north, are Indian Tamils, imported by the British to work on the plantations. Some have Indian citizenship and some Sri Lankan, while others are stateless. They have been drawn into the centuries-old conflict.

The Government originally offered the Tamils, represented by the Tamil United Liberation Front, new councils in each of the districts. But the Tamils want regional devolution, with the districts of the north and east being free to join together. This idea is rejected by the Government because it would create too powerful a Tamil stronghold. It is also opposed by sizeable Muslim groups in the east, who want more devolution to their province but not domination by the north.

The latest proposals suggested by the Government last month are scheduled to be turned into draft laws by November 15. *They provide for districts to be* able to merge into zonal or regional councils separately in the north and east, probably with some powers over local taxation, economic development, land allocation, education and police. There would also be a new second national parliamentary chamber, which would include representatives from the council plus other minority interests.

Both the TULF and senior Buddhist monks representing right-wing Sinhalese opinion are opposing the proposals, which means that yet another peace initiative is endangered.

John Elliott and **Richard Cowper** explore the island's heartland

Across the Elephant Pass

"BATTICOLOA *women want to buy their vegetables* from the market, along with ready-prepared rice and other curry items. A Jaffna woman grows her own vegetables and makes her own rice and flour and curry preparations."

My guide — an elderly Government employee in Batticoloa on Sri Lanka's east coast —was not describing the traits of two bitterly opposed ethnic or religious groups. He was explaining regional differences within Sri Lanka's minority Tamil community who make up just 12.6 per cent of the population and are concentrated in the island's poorer areas.

Their *stronghold* is in and around the northern Jaffna Peninsula and, mixed with other communities, areas near the eastern coastal cities of Batticoloa and Trincomalee.

In Jaffna, they do not often discuss Batticoloa. But in Batticoloa a foreign traveller is welcomed with stories about how the locals are less well educated and less ambitious than those in Jaffna.

They let their cattle roam the *streets instead of looking* after them carefully. They do not maintain their irrigation *systems well, and generally* let life take its course.

Historical

They are highly conscious of the superiority *of* the Jaffna Tamils who often hold senior administrative positions in their area.

"Perhaps we came from different parts of Southern *India originally,*" *mused* my guide, underlining the historical consciousness of Sri Lanka's 15m people, *all of whose* ancestors arrived from the Indian subcontinent over the last 2,500 years.

The first to arrive now form the majority Sinhalese race. The Tamils, as they are constantly reminded by the Sinhalese, began to arrive from Southern India a few hundred years later.

The towns of the Tamil areas are *dotted with pretty,* white-painted Catholic churches, sometimes with a bright blue neon cross outside, or plainer Methodist halls, and ornately carved, brightly painted Hindu temples (or kovils) of the distinctive South Indian Dravidian style.

A journey from the relatively prosperous Sri Lankan capital of Colombo to these Tamil areas takes you from the place where virtually all official political and commercial power and economic development is concentrated, to areas that seem to have been largely ignored.

The road and railway to the Jaffna peninsular lies across a narrow spit of land called Elephant's Pass, now sandbagged and closely-guarded by heavily armed troops because of the crisis. Ahead lies a dry uninviting land, suddenly greener and cultivated in areas where the irrigation system works well and where the *Tamils have achieved high* harvest yields. Agriculture and fishing—and smuggling to and from the *Indian mainland* off golden beaches—provide the basis of the local economy.

But a lot of local wealth is also generated in the south. "Jaffna has a postal economy—it relies on remittances from the south," says Mr. Lalith Athulathmudali, a Sinhalese lawyer who used to defend the Tamil smugglers in court and is *now* the island's National Security Minister and spokesman on the ethnic troubles.

Jaffna city is surrounded by well-ordered tarmac roads, lined with small bungalows and enclosures of thatched palm huts. The streets are a mobile museum to the former glory of the British motor industry, full of shiny black Austin of England models of the 1950s and 1960s.

As one drives across the island the roads become rougher, the villages less well-kept and prosperous. Local *government officials in the east* say that the roads will soon be mended—there has been a *shortage of rubble because the* extremists stole the explosives needed to break up rocks. But there has been a longer-term lack of development and maintenance.

The eastern coastline is particularly beautiful, with miles of deserted, gently sloping sands fringed with palm trees. But it is a five- to eight-hour car or train journey there from Colombo airport, and few well-off tourists bother to go there. In Batticoloa there are a couple of well-equipped but somewhat demoralised beach hotels, and countless other downmarket guest houses and hotels.

Trincomalee is a famous deep water port, strategically sensitive because of its location in the Indian Ocean. A beautiful blue bay full of tree-covered islands, it is ripe for far more development.

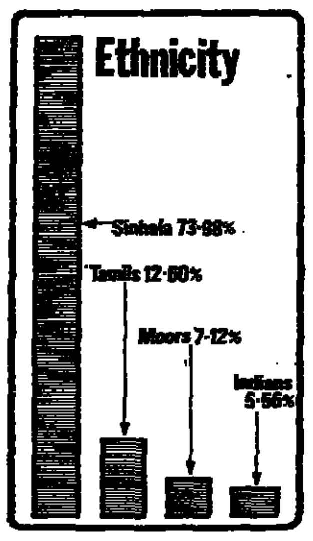
A new joint cement-making venture with Mitsui of Japan has just opened. There is a large flour mill and some giant oil tanks are being developed in partnership with a Singapore-based company.

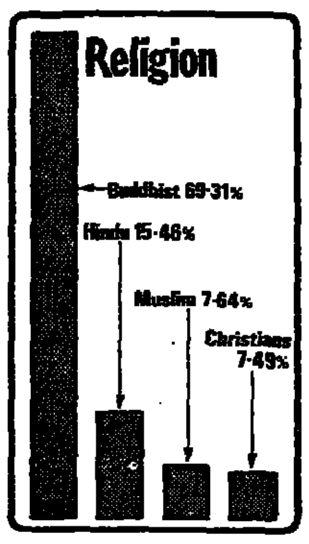
One or two other developments are also being pushed by Tamil businessmen who believe the local economy could become self-sufficient. In Batticoloa a 1,000-acre prawn cultivation project has been started with a U.S. partner.

In the north, export production co-operatives are being started in villages to handle a local palmyrah palm tree crop.

Behind the violence and depression of the ethnic problems, there is optimism about the economic potential of the areas.

J.E.





Alienation of Indian Tamils

GROWING FEELINGS of "second - class citizenship" explain the steady alienation of the indigenous Tamils. But for the Indian Tamils who came from India in the last century, it is the curse of non-citizenship or "statelessness"

After independence (1948), the vast majority of the Indian Tamils who live and work in the green ghettos of the Central Hills lost their citizenship and voting rights.

With the British withdrawal from both India and Ceylon, the Indian Government refused to recognise these plantation workers as its citizens.

India agreed to grant citizenship to 600,000 over a period of 15 years while Sri Lanka agreed to make 375,000 its citizens.

Last month President Jayewardene announced that the remaining 93,000 would be made citizens.

MERVYN DE SILVA

In the shade of the sacred bo tree

TO BEGIN at the beginning is to go to Anuradhapura in the dry northern plain of Sri Lanka. For well over 1,000 years from the third century before Christ, Sinhalese kings—with the occasional south Indian interloper—ruled from this greatest of all Sinhalese cities.

It was Anuradhapura that gave birth to the twin planks of Sinhalese civilisation: the dagoba (Buddhist pagoda) and the tank (artificial reservoir). Though today the city is a mere shadow of its former self, it nevertheless holds pride of place in the hearts of many of the nation's 11m Sinhalese.

This is particularly true of the 7m or so Sinhalese who live in villages where the bhikku (Buddhist monk) and the paddy field remain the centre of daily life.

No other city raises such passion among Sinhalese in a country which prides itself on a 2,000-year-old rice-based hydraulic civilisation (the $3bn Mahaweli irrigation scheme is its apogee) and on being the world's spiritual centre of Theravada Buddhism (the branch followed by Sri Lanka, Burma and Thailand).

At the heart of the ancient city, beneath the sacred bo tree allegedly grown from one in northern India under which Buddha achieved enlightenment 2,500 years ago, a wandering Buddhist ascetic explains how one day Anuradhapura will again become the official capital of a "nationalist Sinhalese Buddhist" Sri Lanka.

Later that evening, on the *verandah of the luxurious* British-built Tissawewa rest house, Mr Mahadi Devlwawa, a *normally sober-minded* Sinhalese lawyer, talks passionately of the need for a latter-day *Duttagamini. He was* Anuradhapura's greatest warrior king, who regained the city from the Tamils in the second century BC after a 15-year campaign and then devoted his life to Buddhism.

Symbol

"Anuradhapura today is a frontier town," he says. "A few miles to the north a group of people are fighting for a separate *state. From the west* we are being threatened by the spiritual bankruptcy of a *materialistic western approach* to development, and from within we are assailed by a corrupt priesthood—the *Mercedes* Benz bhikku—infatuated by wealth and political power.

"As a potent symbol of true Buddhism, Sinhalese nationalism and culture Anuradhapura gives us hope that it will not always be so."

Such strongly-felt chauvinist views are by no means uncommon, particularly in those areas in the central upland parts of the country which held out longest against the Portuguese, Dutch and British colonial powers.

One hundred or so miles to the south in the charming city of Kandy—the last of the great Sinhalese capitals which fell to British intrigue in 1815—there is a greater sense of self-confidence.

In a modest house high in the tropical hills above Kandy's lake sits His Holiness the Most Venerable Palipana Dharmakirthi Sri Gunaratna Chandananda Mahanayake Thero, chief high priest of one of the two largest Buddhist sects in Sri Lanka. A man often consulted by political leaders, he talks of continuity and peaceful adaptation rather than threats and radical change.

"In the traditional village the fabric of life is still inextricably bound up with religion, as it has been for 2,500 years," he says. "I have no fear that modern development, science or western materialism will destroy our Buddhist Sinhalese way of life."

Buddhist relic

He plays down his undoubted political power and influence, but makes it clear that he is prepared to engage in open battle with secularist governments when he considers that the privileges of the Buddhist Sangha (monkhood) are in any way threatened.

When President Jayewardene recently attempted to secure the right to appoint the lay custodian of the temple of the Buddha's Tooth—after the sacred bo tree Sri Lanka's holiest Buddhist relic—his holiness made it clear that this was not acceptable.

"Jayewardene is not a king, he is just an elected president," he remarked curtly.

Fifty miles from the Sinhalese cultural and religious heartland of Kandy on the road to Colombo — the lowland capital created by secularist colonial powers — is Nittambuwa. On a wet monsoon morning, *thousands of peasants and* Buddhist monks in saffron robes carrying black umbrellas troop past the tomb of a murdered prime minister.

It is 25 years to the day since a Buddhist priest shot dead Mr S. W. R. D. Bandaranaike — in a conspiracy that has yet to be explained.

Three years before, Mr Bandaranaike had ridden to power on a massive wave of Sinhalese Buddhist emotions, *which according to Mr K. M. De* Silva, one of Sri Lanka's most eminent historians, "carried an emotional appeal to which the notion of a multi-racial policy was a meaningless abstraction."

Inside the grand colonial edifice, now home of the *deceased president's wife and* just a stone's throw from the tomb, hundreds pay court to the aristocratic *Mrs* Bandaranaike and her son. In the great mirrored reception room desperate politicians come and go talking of past glories and how parliamentary democracy has run its course.

R.C.

Budgetary management has been a major cause of instability, World Bank says

Staying afloat on a tide of tea

HIGH DOMESTIC production and record international prices for its main export crop, tea, have come to the rescue of Sri Lanka's hard pressed economy as it battles to recover fully from last year's spate of communal violence.

An anticipated doubling of tea export earnings in 1984 will more than offset an expected 20 per cent decline in tourist revenues providing the country with its first substantial balance of payments surplus since 1977.

It will also handsomely reverse what had become a deeply worrying negative international reserve position. The timely arrival of the cavalry thus enables Sri Lanka, for the moment at least, to avoid having to negotiate a new international monetary fund standby loan.

Economy
RICHARD COWPER

Tea's brave showing will help also to push Sri Lanka's economic growth up to more than 5 per cent in 1984 after a year when drought and riots brought real gross domestic product down to a six-year low.

However this stroke of good fortune, largely arising from New Delhi's decision to ban Indian tea exports (average export prices for Sri Lankan tea were up 68 per cent in the first half of 1984), may be only a temporary palliative.

India, the world's largest tea exporter, is bound to lift the ban sooner or later at which point lower tea prices may again see Sri Lanka struggling with its balance of payments.

Whatever the outcome for tea, however, Sri Lanka still faces a number of pressing short economic problems. These include an unacceptably high budget deficit, an overvalued currency and an inflation rate still roaring away by at least 17 per cent on a year on year basis.

Dilemma

Added to this are continuing private and foreign investor jitters arising from the Government's failure so far to come up with a final political solution to the ethnic problem. In the mid-term there is a vital need to reduce protectionism and encourage a more diversified and faster-growing export sector to offset a trade imbalance which has resulted in a level of imports double that of the country's exports.

As some see it, the heart of Sri Lanka's economic dilemma has been the manner in which this tiny country, with a population of just 15m and a per capita income of little over $300 a year, has attempted to catapult its economy into growth after years of decline under the restrictive and protectionist socialism of Mrs Sirimavo Bandaranaike, the country's former Prime Minister.

With Western donors and banks eager to welcome Sri Lanka in from the cold, government economic planners until recently acted in the belief that soaring capital expenditures (many of doubtful economic value) and the resultant large budget deficits could simply be financed by aid, concessional borrowing and commercial loans without prejudice to the development of a balanced economy.

This strategy has yielded big dividends. Economic growth has averaged more than 6 per cent over the last six years, unemployment has fallen dramatically and this year, for the first time in more than two centuries, the country is on the verge of self-sufficiency in rice. In addition, the massive $2bn Mahaweli hydropower scheme will provide the country with a cheap source of power well into the next decade.

But it has also entailed considerable risks. Sri Lanka quickly became one of the most aid-dependent countries in the world (this year aid will account for about 60 per cent of Government expenditures) and this has led to an increasingly high level of foreign borrowing (disbursed outstanding debt is set to hit the $3bn mark by the end of 1984).

In the words of the World Bank in its latest report on the Sri Lankan economy: "The Government's budgetary management has been the major source of instability in the economy during the past few years."

The penalties have been an unacceptably high inflation rate, what Ronnie de Mel, the Finance Minister, calls a "dangerously" high debt service ratio of around 20 per cent and until this year a severe balance of payments problem.

The Finance Ministry has recently made considerable efforts to cut budgetary spending and there are signs that it will use this year's large windfall increase in revenues from the ad valorem tax on tea to make a net repayment to the banking system, thus further reducing inflationary pressures in the economy.

Many economists argue that what is needed is not just a tightening of fiscal management, vital though this is. But also a redirection of Government resources into more productive areas of the economy.

In this respect, one major advance that the Government made in 1984 was to devise a viable investment plan for turning round Sri Lanka's much neglected tree estate crop sector (tea, rubber and coconut).

Inefficient

Traditionally the strongest element in Sri Lanka's economy, this sector has suffered from 15 years of poor management and a lack of replanting which has resulted in a general deterioration of quality and output.

However, economists question whether the Government can continue to afford the luxury of supporting a major house-building programme, a costly effort to turn Air Lanka into a high-profile international carrier and a cash hungry, wordly and inefficient state manufacturing sector.

Currently, about 25 per cent of Government capital spending consists of transfers to the state corporations which, compared to the private sector, requires twice the capital per employee to achieve half the labour productivity.

A number of state companies are making heavy losses, but owing largely to a powerful protectionist industry ministry, the Government has as yet felt unable to turn off the tap.

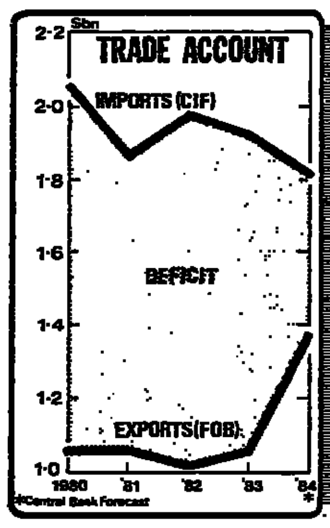
As envisaged by the Government the private sector—particularly foreign investors—has been by far the most dynamic element in the economy since 1977. But the Government's ambiguous policies on tariffs and state sector protection have led to considerable uncertainties.

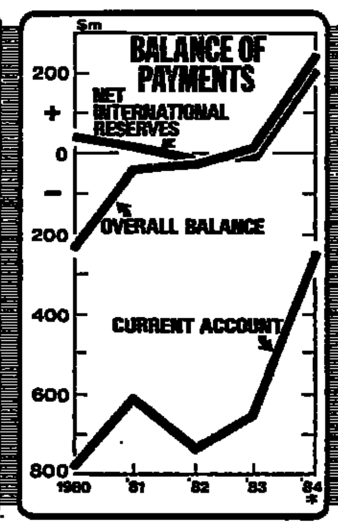
Only last month, for example, Cyril Mathew, the Minister of Industry, calmly asked Union Carbide to cut its battery output by 25 per cent to protect a partially state-owned competitor. Such attitudes have meant that private and foreign companies largely confined their investments to quick return ventures such as hotels (frozen because of the ethnic troubles), garments, real estate, and trading.

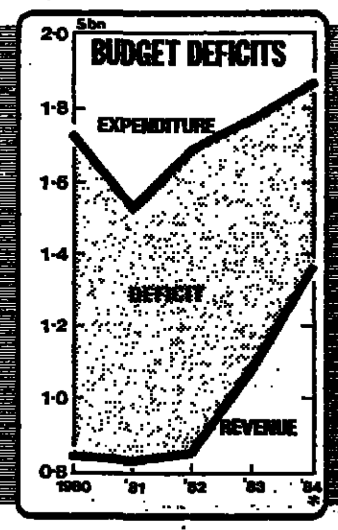
Now that most of these sectors are essentially saturated a greater degree of diversification involving what must inevitably entail higher risk, longer-term pay-back investments is essential.

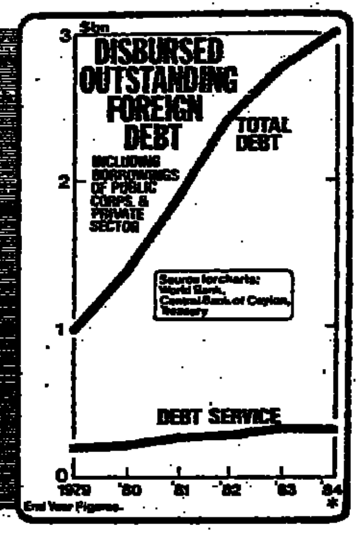
But with strong protectionist forces hovering on one side and continued political instability on the other the likelihood of Sri Lanka's economy receiving a sizeable new injection of private investment, domestic or foreign, in the near future seems remote.

Without it the chances of sustained high growth are few and far between.









PROFILE: RONNIE DE MEL

Survivor with charm and skill

SRI LANKA'S buoyant international image, which has survived the troubles of the past year with only limited damage, owes a lot to the lobbying in the world's political and financial centres of one man.

He is Mr Ronnie de Mel, the 59-year-old Finance Minister, who mixes easily in Europe and the U.S., using skills learned as a civil servant and family businessman to charm his audiences and divert them from some of the island's problems.

He is proud of his success in what he describes as the "high risk profession" of finance ministers. He reminds his colleagues at World Bank and Commonwealth meetings that, having held his job for seven years, he is the exception to the role that finance ministers' lives are "nasty, brutish and short."

The last World Bank report on Sri Lanka criticised the Government's budgetary management which had been "the major source of financial instability in the economy."

Mr de Mel admits that public spending needs to be curbed more, especially on long-gestation, low-yielding and high prestige projects. But he believes that he has not done badly, given considerable internal political pressure for high spending. He says he has presided over a considerable economic achievement since he came to office in 1977 under president Jayewardene, reversing the downward slide of the previous Bandaranaike's Government's controlled economy.

He recognises that the Tamil troubles could stop the progress: "If we continue with this sort of thing, the economy can't come back."

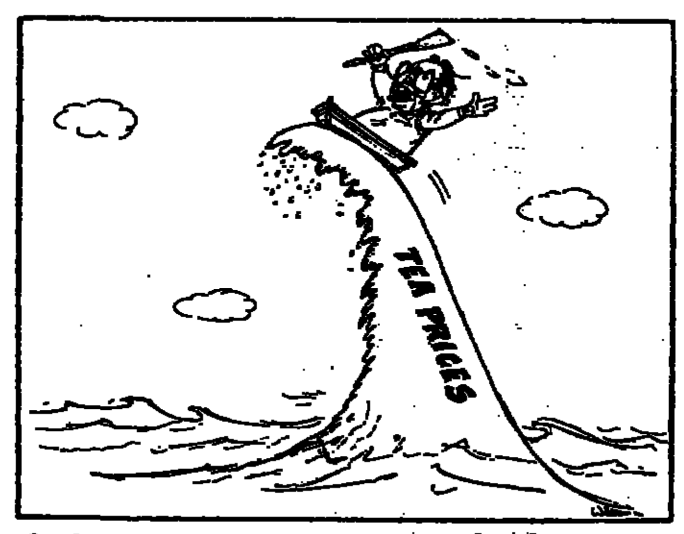
He acknowledges that the Tamils need a better deal but stresses the centuries old fear of the majority Buddhist Sinhalese race that a combination of Tamils from southern India and Sri Lanka might one day together drive the Sinhalese "into the Sea."

Mr de Mel is an astute politician and such remarks acknowledge the importance of the island's Sinhalese national identity. He entered politics, he says, to help the "national revolution" that Sri Lanka (then Ceylon) needed to prove its national culture, language and religion.

"By the late 1950s we had to break the domination of the Western-educated elite, to which I myself belonged. We had to give full place to our Buddhist religion and bring about the sort of national transformation which, unlike India, did not happen here at the time of independence. Power was only transferred from the British to the elite who made up just 2 per cent of the population."

After education in Ceylon and at Cambridge (studying, first, history, and then international finance and trade), Mr de Mel joined the Civil Service in 1948. That was then "the most prestigious thing to do—though politics, engineering and science are now more prestigious."

By the late 1950s he was privately active in the National Sinhalese Buddhist Organisation and in a village development movement called Sarvodhaya. In the civil service he rose to senior posts, including Director General of Broadcasting.



On the crest of a tea-price wave: a view of Ronnie de Mel from Sri Lanka's The Island newspaper

Opponents

At the age of 36, he switched into politics. By then he had also become a businessman, proudly running his own and his wife's family businesses which included Sri Lanka's largest tea plantation on estates totalling 5,000 acres, 450 buses, textiles, and insurance. Most are now nationalised.

"I think up to a point I am a successful Finance Minister, not because of my academic background, but because of that business training," he says.

In the Government he has two main opponents. On economic policy the antagonist is Mr Cyril Mathew, the die-hard protectionist and anti-Tamil Industry Minister who resolutely opposes all Mr de Mel's efforts to liberalise and internationalise the economy, preferring an introspective Buddhist island society to a materialistics international economy.

His other more personal antagonist is Mr Lalith Athulathmudali, the rising star of the Jayewardene regime, who at the age of 47 combines the jobs of National Security Minister, Defence Minister and the President's spokesman on ethnic troubles and the Round Table Conference.

Mr de Mel first joined the Bandaranaike Sri Lanka Freedom Party but moved in 1974 to the United National Party that came to power in 1977. Both parties proclaim forms of socialism but, says Mr de Mel, the "Bandaranaike Party always gets led away to dogma and ideology and is dominated by one or two Marxists out of touch with reality." The present ruling party is "much more practical and pragmatic," still believing in "democratic socialism."

● Mr de Mel and Mr Paul Channon, UK Minister of Trade and Industry, will be among speakers at a conference at the Commons on October 12 organised by the British and South Asian Trade Association and the Sri Lanka High Commission.

JOHN ELLIOTT

OVERSEAS AID TRENDS

Sri Lanka is one of the highest recipients of aid in the world on a per capita basis. Last year, aid donors disbursed almost $150 for every Sri Lankan family, while the aid content of per capita GNP of just over $300 was 10 per cent.

The $2bn Mahaweli dam is largely aid financed, and in 1983 some 60 per cent of government capital expenditure was accounted for by aid. About 35 per cent of aid since 1977 has been in grants, while 85 per cent of the rest has been on interest rates below 3 per cent.

FOREIGN AID SOURCES ($m)	1983	1982
World Bank	75	60
U.S.	66	62
Japan	54	52
UK	37	53
W. Germany	47	29
Canada	32	29
Sweden	26	21
Others	117	116
Total	454	414

FOREIGN AID ($m)	1984 (forecast)	1983
Commitments	486	369
Disbursements (A)	457	454
Mahaweli share	200	160
Government capital expenditure (B)	757	922
A as % of B	60	49

Source: World Bank and Central Bank of Ceylon

Scarce resources diverted into unproductive investment

Painful decisions delayed

Industry

RICHARD COWPER

AFTER THE flurry of readjustment and growth following the so-called "liberalisation" of 1977, Sri Lanka's tiny industrial sector (accounting for just 14 per cent of gross domestic product) has begun to run out of steam.

President Jayawardene came to power seven years ago with the declared intention of rationalising a grossly inefficient and highly protected state manufacturing sector and adopting a high growth, market-oriented, industrial development strategy, favouring private enterprise.

But today, state-run corporations account for upwards of 55 per cent of the value of gross industrial output—down just 10 per cent since 1977—while perhaps as many as a third are operating at a loss. The private sector after a heady and largely successful initial expansion into garments, food, beverages, tobacco and construction has reached a plateau, while foreign investors in particular are hanging fire amid continuing concern over restrictive government policies and political instability.

In spite of some notable achievements, political, social and resource constraints have encouraged the government to delay taking painful decisions widely regarded as essential if the state-run manufacturing sector is to be put on a viable footing.

The introduction of foreign management into five state textile companies, and the recent closure of a sixth has paid off handsomely in terms of profitability. But, concern over job losses, and a strong state-oriented protectionist lobby, led by the ministry of industry, has prevented the government from closing down a number of state-run industries.

Says a senior Government official: "In a number of key areas the Government has yet to bite the bullet. Our steel plant, for example, must be the smallest in the world. Because of the sizes involved, we are forced to import our billets from South Africa. We can currently buy finished products more cheaply abroad than the cost of the raw material inputs."

Others point to a similar problem at the country's urea fertiliser plant, the single largest state investment ever made. At one point last year production costs were U.S.$240 a tonne, at a time when the world market price was about U.S.$140. Steel and fertiliser provide the two most dramatic examples of how tougher controls, and better management, are urgently required to turn a number of other state-run industries into viable entities.

Failure to deal with the problem corporations has diverted scarce resources into subsidising unproductive investment, encouraged the continuation of a tariff regime still biased against exports, in favour of import substitution, and generally proved a serious drag on overall industrial growth.

Destroyed

In spite of some excellent performances by the private sector since 1977 industry has recorded the lowest sectoral growth rate in the Sri Lankan economy. Last year, for example, a 26 per cent increase in private sector industrial growth was more than offset by a 15 per cent decline in the public sector. As a result industrial growth was just 2 per cent compared to a 4.9 per cent overall growth in the economy. Manufacturing growth was a mere 0.8 per cent.

Some have been quick to blame the ethnic violence which rocked the country in July last year for the poorer than usual manufacturing performance in 1983. According to the Government some 122 industrial establishments suffered an estimated U.S.$70m worth of damage. More than 30 production units were completely destroyed and 15,000 manufacturing jobs were lost.

However, it now seems that the impact of the disturbances on industrial output was much less than originally feared. Utilisation of spare capacity in other companies within the same industry made up for a significant proportion of lost production from some damaged units.

In contrast to the unwieldy state sector, private investors, both domestic and foreign, were quick to respond to the Government's post 1977 "liberalisation" policies. There was a rush into the easy "import substitution" sectors of food and beverages and considerable investment in hotel construction, garments and textiles. For example, from 1979 to 1983 food, beverage and tobacco output more than doubled while production of textiles and export garments increased fivefold.

The dynamic growth of the garment export sector was largely responsible for increasing manufacturing's share of total exports from 17 per cent in 1977 to 35 per cent last year.

Despite this success, however, there are now some worrying signs that private sector industrial growth may be running out of momentum. The easy import substitution industries have been exhausted and the garment sector has probably reached its maximum potential given the current unfavourable international environment for trade in textiles. In addition the other major private sector growth area — hotels — is now suffering from substantial oversupply because of a fall in tourism due to ethnic troubles.

Since 1977 foreign companies have invested about $240m in Sri Lanka in more than 300 ventures. Of these well over half have been in the free trade zone just outside Colombo, where ready-made garments and footwear have accounted for about 80 per cent of the investment.

Foreign investment has proved a main driving force in the manufacturing sector since 1977, but the pace has slowed drastically in the last 12 months.

Frustration

Last year Ashok Leyland, BL's Indian joint venture, invested $5m in a bus assembly plant and production is under way. However, a number of potentially significant investments have either been withdrawn or put on ice.

After five years of "frustration and disappointment," Agrico, a U.S. agricultural chemicals company, this year decided not to go ahead with a $300m-plus superphosphate plant when it could not obtain Sri Lankan Government loan guarantees. Had it gone ahead, the project could have earned some $100m a year in foreign exchange for Sri Lanka and would have been the country's biggest single foreign investment.

Other companies which have decided not to go ahead have been Motorola and Harris, both U.S. electronics companies.

A number of well-publicised, seemingly arbitrary decisions, by the Ministry of Industry has not helped to improve the investment climate. For example Union Carbide, a U.S. battery company, last month was requested to cut its output by 25 per cent to protect a struggling partially state-owned battery company.

Private investors, and the multi-lateral lending organisations like the World Bank and the IMF, argue that the Government needs to come up with a series of major new policy initiatives if it wants to overcome a number of obstacles now preventing future rapid industrial growth.

Jubilation over rice recovery

Agriculture

RICHARD COWPER

LESS THAN a decade ago hundreds of thousands of hungry Sri Lankans were obliged to spend several hours each day queueing for their ration of rice. At one point the then Government of Mrs Sirimavo Bandaranaike was spending almost half of the country's total foreign exchange earnings on food imports. Its agricultural policy-makers were so nervous of precipitating civil unrest that they even forbade the transport of more than 2 kg of rice from one area to another without an official permit.

Such recent memories remain vivid, so it is easy to understand the jubilation running through Sri Lanka's corridors of power as the country approaches the long-cherished goal of self-sufficiency in its staple food commodity.

With a clear flair for the dramatic, the man who many say has been the architect of President Jayawardene's rice revolution whisks a crumpled piece of paper from an inside pocket: "This year for the first time since 1746 Sri Lanka has not found it necessary to order any shipment of foreign rice."

A supremely self-confident Mr Ranjan Wijeratne, chairman of Sri Lanka's Agricultural Development Authority, then proceeds to reel off the key policy changes which he says explain the resurgence of the country's traditional rice-growing sector since the change of government in 1977.

● First, we restored incentives to farmers by allowing them to sell on the free market, while at the same time offering to purchase their rice at a guaranteed minimum price, thus ensuring they made a profit.

● Second, we embarked on a major rehabilitation of our highly sophisticated irrigation system, much of which was in a state of decay. Since 1977 we have overhauled more than 3,000 reservoirs.

● Third, we offered the farmers fertiliser at half price and access to new high-yielding rice varieties.

The result has been that milled rice production grew 48 per cent from 1.15m tonnes in 1977 to 1.7m tonnes while imports fell from 538,000 tonnes to 127,000 tonnes during the same period. This year production is expected to be at roughly last year's level, with a tiny 39,000 tonnes of imports, made up of food aid and forward contracts made in 1983.

According to Mr Gamini Jayasuriya, Sri Lanka's affable Minister for Agriculture, the country is on the brink of self-sufficiency.

Sri Lanka's population is expected to increase by over 45 per cent to around 22m by the turn of the century. According to Mr N. Weragoda, Secretary to the Minister of Agriculture, however, the resulting increase in demand will be met by 300,000 acres of new rice-growing land which will come into production by 1991. In addition he says, there is considerable scope for further big improvements in yields.

With rice self-sufficiency in sight, the Government is beginning to realise that in a country where three-quarters of the population live in rural areas and where agriculture accounts for roughly a quarter of GDP, half of direct employment, 40 per cent of Government revenues, and about 60 per cent of export earnings, many other crops urgently require attention.

A girl plants rice in the Mahaweli Ganga area

The most pressing need is for investment in the much neglected state plantation sector so vital to the country's foreign exchange earnings.

For example in coconuts—traditionally a smallholder export crop—long-term trends point to domestic demand outstripping supply. Lack of serious government commitment in skills and resources has resulted in a 10 per cent decline in planted acreage since 1973 and an increasingly "senile" palm population.

The Government accepts that sugar cane production offers a big opportunity for import substitution. Last year Sri Lanka imported 260,000 tonnes.

The Government has this year, for the first time, made a determined effort to attract foreign and private domestic investors into cane sugar joint ventures with the public sector.

Three projects involving an estimated 60,000 hectares are in various stages of construction or negotiation, the first of which is expected to come into production in 1986. Booker International of the UK and Mehta of India have both agreed to take equity shares in separate projects, while the Dutch company, HVA, is closely considering participation. Together the three schemes aim to produce about 120,000 tonnes of sugar a year.

Problems hidden by boom in tea

Estates

MERVYN DE SILVA

AFTER 36 years of independence, the national economy still stands—although much less firmly—on the colonial tripod of three export crops: tea, rubber and coconut.

The boom in tea prices will help Sri Lanka end the year with a balance of payments surplus. The price, which stood at 52 rupees per kilo in 1983, averaged nearly 82 rupees in the first six months of 1984.

But buoyant tea prices present a deceptive picture of an otherwise ailing estate sector. The plantation industries, which cover 41 per cent of cultivated areas and employ 1.2m people (22 per cent of the workforce), are expected to contribute 54 per cent of export earnings, 18 per cent of budgetary revenue and 10 per cent of gross domestic product this year.

In 1978, the comparative figures were 73 per cent, 40 per cent and 18 per cent.

Tea production in 1983 (179.3m kilos) was the lowest since the peak performance of 228.7m kilos in 1965. Last year Sri Lanka exported only 157.9m kilos of tea compared with 185m kilos in 1980.

According to the rubber controller, there was a slight improvement in production but a drop in exports in 1983. Production rose from 125m kilos in 1982 to 140m, while exports dropped from 131.3m kilos to 125.2m kilos.

The price for all grades rose from Rs 17.68 to Rs 22.77. While tea accounts for 30 per cent, rubber brings 11 per cent of export earnings.

A medium-term investment programme for the state-owned plantations is a key item in Sri Lanka's development effort aimed at the restoration of the plantation industries and increased productivity. The five-year programme estimated to cost more than £160m will concentrate on increasing output, reducing production costs, and upgrading quality standards of the produce.

New crops will be grown in non-viable tea lands, management of financial controls will be stricter and a new emphasis will be given to a rapid improvement in living and working conditions of the estate workers.

Optimism underlies uncertainty

Tourism

MERVYN DE SILVA

THE FLAGS fly gaily at the 500-room Galadari Meridien, which this month joined the hotel complex alongside Colombo's Galle Face Esplanade, made famous by Somerset Maugham and other travellers of a more leisurely age. But some yards away is a shabby forlorn billboard that announces the imminent arrival of a Sheraton which has evidently changed its mind.

A local company, with a Japanese loan guaranteed by the Sri Lanka Government, assures its shareholders that Hilton will soon join the Lanka Oberoi and its Indian cousin the Taj Samudra. But the tourist scene is marked by indecision, uncertainty and a vague air of Micawberish optimism.

"The name of the game now," says the local representative of a big European charter operator, "is cut-rate rooms, especially for groups bigger than 30. The hotels dictated prices all these years and now it is our turn."

Liberalised imports, a realistic exchange rate, tax holidays and other incentives to investors in the tourist industry, plus a new category of business visitors produced a tourist boom in the first five years (1977-81) of the new government's "open" economy.

The 28 per cent growth rate in 1979 and 1980 was the highest in the Asia-Pacific region. By 1981, tourist arrivals, according to the tourist board, had topped 370,000, while earnings exceeded $130m (£105m).

At the end of 1984, the last year of the seven-year tourism development plan, arrivals were expected to exceed 500,000, hotel capacity 11,000 rooms, and income $210m.

While the global recession saw a slight slump in 1981 and 1982, Sri Lankan tourism, once a challenger to coconut and rubber as an exchange earner, has run into image problems. The world-wide media coverage of the racial violence of July last year was a big set-back.

According to the central bank, the January-June period 1984 saw a 30 per cent drop in arrivals and a 20 per cent drop in income compared with the same months in 1983.

"If communal peace is restored, the tourists will return," said Dr Ananda Tissa de Alwis, Tourism Minister.

$2bn dams may provide lure for investors

Mahaweli project

RICHARD COWPER

MINISTERS, foreign and domestic contractors, aid donors and journalists — almost everyone loves a big project. Sri Lanka's circa US$2bn (no one is quite sure just how much it will eventually cost) scheme to harness the waters of the River Mahaweli is just that.

Billed as a triumph of 20th century hydraulic engineering the project involves the construction in just seven years, of four huge dams and reservoirs, three power stations and a network of irrigation canals. The Mahaweli scheme will generate some 472Mw of electricity and open up upwards of 100,000 hectares of dry land areas to intensive agriculture.

Sri Lankan government officials see the project as a tangible symbol of its intention to provide jobs, wealth and economic development to a nation which "lost its way" under Mrs Bandaranaike's socialist regime. Foreign aid donors, eager to encourage President Jayewardene's look-West liberal economic policies as well as providing much needed contract for their own companies, have worked hard to help finance the project.

Irrigation

A major portion of the cost of the so-called headworks (dams, reservoirs and power stations) is being met by western aid donors on various terms, but inevitably tied. The UK at Victoria, Canada at Maduru Oya, Sweden at Kotmale and West Germany at Randenigala and a number of other countries have to date committed $962m in aid, of which $515m had been disbursed by the end of last year.

Just last month the first power generated from the British-built dam at Victoria came on stream, while the Canadian-built Maduru Oya reservoir was completed last year and is currently irrigating around 5,000 hectares of its expected 36,000 hectares of dry zone land.

In the longer term, few question that the scheme—with its potential to more than double the country's electricity output and provide upwards of 200,000 jobs in agriculture and related services — will give a much needed boost to the economy.

Water from the four dams will irrigate some 100,000 hectares of unproductive dry land, which will be farmed by more than 100,000 new settlers. The Government estimates that the dams will eventually attract a further 100,000 families into the area to run shops, schools, and other services. In addition, the scheme will top up a network of existing irrigation systems, making them less susceptible to prolonged drought.

The large amount of cheap power generated by the scheme is seen as playing a key part in the Government's strategy to expand its industrial base and lure foreign investors. The country has suffered from a power shortage problem in the past few years and this may have served to discourage potentially eager investors.

But some question whether it was necessary or wise to proceed with the whole project at such a break-neck pace at a time when Sri Lanka's economy has been struggling to overcome the pains of more than a decade of inefficiency and neglect.

The Government produces an impressive array of arguments in its favour: the desperate need to provide vital power essential for future economic development, to save foreign exchange on high cost diesel and gas imports, the need to ensure self-sufficiency in the country's main food crop, rice, and above all the necessity of providing jobs in a country where unemployment is high and landlessness a serious problem.

Critics, however, argue that the Government's projections for future power demand are much too high, that rice self-sufficiency has already been achieved at a much lower cost by rehabilitating existing irrigation systems, and that the diversion of almost 40 per cent of the country's capital expenditures into one project has deprived other equally worthy sectors of vital finance.

In particular they say the huge costs involved have played a major part in generating large Government budget deficits which in turn have led to balance of payments problems and concern over the country's growing debt. All this, they claim, has helped to generate an overheated economy, turning inflation into one of the country's most intractable problems.

Some critics question whether it was wise for such a poor low-level income country to go for an import-oriented capital intensive method of building the project at all. Others say a more sensible approach might have been to phase the project over a longer period.

Mr Gamini Dissanayake, the youthful Minister for the Mahaweli and a rising star in Sri Lanka's political firmament completely rejects such arguments. "If you took such an approach we might never have got it built at all. Look, a large proportion of the scheme is financed by foreign grants and soft loans—at the time we had no other comparable viable project to offer aid donors keen to assist us. I very much doubt whether given aid fatigue we could have got that kind of money over a longer period," he says.

He shrugs off the fact that in rupee terms the cost of the headworks and downstream irrigation work (not including infrastructure, resettlement costs and transmission lines) has doubled from around Rs 15bn in 1977 to around Rs 34bn now.

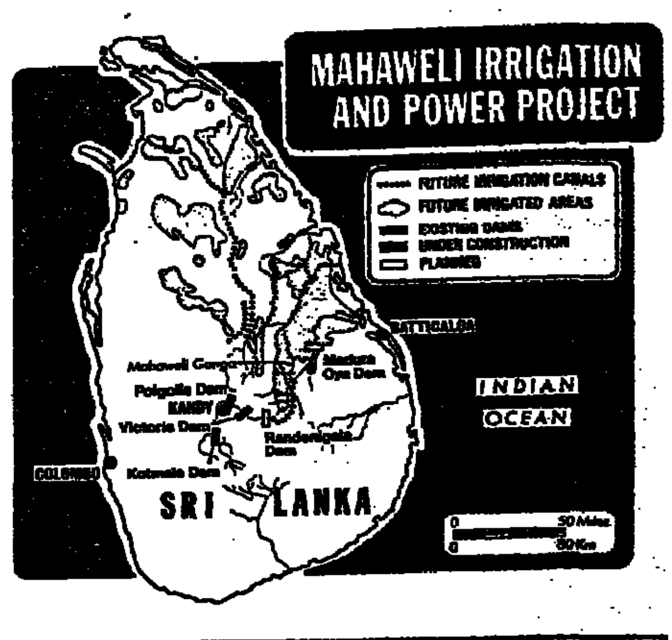
Estimates

"At the time no-one could have foreseen the doubling of oil prices, the world recession and the explosion in interest rates. But even so as the costs have risen so have the benefits."

Mr N. G. P. Panditharatna, chairman of the Mahaweli Authority, estimates that the total cost of the project is likely to end up at about $2bn with the headworks totalling around $1bn, downstream irrigation around $500m and infrastructure, power lines and resettlement costs a further $500m.

But he admits these estimates are very approximate. More worrying is that since the scheme was given the go-ahead in 1978 there does not appear to have been any review of the estimated economic rate of return for the various segments of the scheme.

However, in a country which prides itself on its ancient irrigation network it is not difficult to understand the attractions of undertaking what will be the single largest and most ambitious contribution to its 2,500-year-old civilisation.



MAHAWELI DAMS

Headworks	Power (Mw)	Construction period	Estimated cost ($m)
Maduru Oya	—	1980-83	112
Victoria	210	1980-84	316
Kotmale	132	1980-85	350
Randenigala	130	1982-87	178
Total	472	—	956

Source: Ministry of Mahaweli Development

Battle of wills over engineering triumph

Victoria dam

RICHARD COWPER

IN THE lush green hills high above the ancient royal city of Kandy lies one of the most beautiful lakes in Sri Lanka. Victoria, however is not a gift of nature.

Less than five years ago all that could be seen was a ramshackle village, a ford and a dirt track in an otherwise unremarkable tropical valley. Since then a 200-strong army of expatriates from some 14 British companies and a local workforce of more than 1,200 has laboured with elephants and modern construction machinery to transform the upper reaches of the Mahaweli River into a new source of power and irrigation.

Last month the first electric light using power from the first of three 70 MW turbines driven by waters accumulated behind the 122 metre high Victoria dam was switched on in Colombo, just 72 miles away.

The ceremony was supposed to have been presided over by Mrs Margaret Thatcher, the British Prime Minister, but she was forced to cancel her visit due to a miners' strike. As a result the completion of the first double curved arched dam built by a British company went largely unnoticed in the UK.

One man in Britain who did take note was Mr M. B. Grieveson, principal engineering adviser to the Overseas Development Administration, which dispenses UK aid. The £113m UK grant to help finance the Victoria dam made it the largest on the administration's books until recently and it has been widely regarded as Britain's aid flagship.

In London, Mr Grieveson waxes lyrical about the developmental benefits of the project while on site Mr Alastair Chalmers, manager of the main British joint venture contractors Balfour Beatty Nuttall (BBN), proudly surveys his achievement.

"At the beginning anyone who knows anything about dams said there was no way we could finish such a large project in such a remote location in a developing country in such a short space of time. But the Sri Lankan Government insisted we keep to the schedule in spite of a series of major problems."

The successful battle against monsoons, skilled labour shortages, lack of infrastructure and serious technical and geological problems has not been without its risks.

Exaggerated

To complete on target, BBN poured in extra time, money, materials and machinery. Partly due to this, it is understood to be financing the project to the tune of well over £20m. The joint venture is claiming for "sizeable" cost overruns (more than £10m) as a result of what it says was unforeseen extra work, and BBN appears concerned that it might make a substantial loss.

Mr Harry Hogg of Sir Alexander Gibb and Partners, engineering consultants to the Sri Lankan Government, is arguing that the claims are exaggerated.

Details of the total costs are hard to come by. But most agree that it is likely to be well over £240m, compared with the original estimate of £134m. BBN's standard ad-measure contract covering the dam and the 5.7km-long power panel were originally costed at £64m, but Balfour Beatty claims that if it is to come away with a small profit the cost is likely to be at least double that.

Both sides hope a "fair" settlement can be agreed, but for the moment pride in a triumph of engineering and hard graft does not hide the battle of wills between two remote British offices overlooking the Victoria Dam.

PROFILE: DR. PAUL BACK

Unsung hero with lifelong passion for dambuilding

ALMOST EVERY giant construction project has its unsung hero — often someone whose quiet persistence and talent go largely unnoticed as more colourful characters do battle with men, nature and materials in the struggle to complete on time and within budget.

At Victoria it was Dr Paul Back—an ingenious 54-year-old South African-born civil engineer with a lifelong passion for dams—who perhaps did more than anyone to ensure the success of the first ever curved arch dam built by a British consortium overseas.

A senior partner with the British company of Sir Alexander Gibb acting as consulting engineers to the Sri Lankan Government on the project, Dr Back designed the 122-metre high double curvature arch dam and for the last four years has supervised its construction.

His unique contribution to the Victoria project has been in the realm of safety — a major concern of his ever since as a young man he was forced to underpin the giant 1,200 Mw Kariba Dam in central Africa which was implanted after the collapse of a similar type of dam in the south of France which killed more than 400 people.

A dam builder's recurrent nightmare is that one day his own dam might collapse. As Dr Back tells it, it was on one such occasion while sitting in his hotel room in the picturesque royal city of Kandy, just an hour's drive from Victoria, that a terrible tropical storm took place and all the lights went out.

"I thought to myself what would happen if there was a flash flood and no electricity or operator to open the dam gates?"

That night he designed a novel but foolproof method, based on counter weight hydraulics, that allowed the gates to open automatically without the need for power or human intervention as soon as the water in the reservoir reached dangerous levels. For this he won a British engineering design award, and now sleeps more peacefully at nights.

R. C.